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Dem Drug Bill's Life-Threatening Consequences Transcend Partisan Politics



(Roman Didkivskiy/Dreamstime.com)



By **Sally Pipes**

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There's dissension within House Democrats' ranks. [Last week](#), no fewer than 10 House Democrats urged Speaker Nancy Pelosi to abandon H.R. 3, as the legislation is known, in favor of a more bipartisan approach that can "preserve our invaluable innovation ecosystem."

Slapping new taxes and price controls on prescription drugs, as H.R. 3 would, has always been a bad idea — one that is guaranteed to undermine research into new drugs and vaccines. But it's borderline reckless to do so right as pharmaceutical innovation is delivering the world from the worst global health crisis in a century.

The mistaken assumption at the heart of the bill is that the pharmaceutical industry's profits are coming at U.S. patients' expense. People abroad pay less for prescription drugs, the thinking goes. Why can't we get the same deal here?

H.R. 3 would try to give Americans that deal by linking drug prices here to those in six countries: Australia, Canada, France, Germany, Japan and the United Kingdom. The maximum price allowed under the bill would be [120 percent](#) of the average in those countries.

Those six foreign nations all cap the price of drugs. So H.R. 3 would effectively import foreign price controls under the guise of "negotiations."

And if a drug doesn't have an average price in those countries — say, because it's not available — then H.R. 3 would cap its price at [80 percent](#) of the average U.S. manufacturer price.

That's some "negotiation," where the government just dictates the price.

Drug firms that refuse to participate in this government shakedown would face a [new tax](#) of 95 percent of a drug's total sales. That would be on top of any income tax a pharmaceutical company pays. So the result could be a tax bill totaling [more than 100 percent](#) of income.

Put differently, if the government can't get a drug from a manufacturer on the terms it dictates, it's going to try to make sure no one else can.

Investors won't fund research into the next generation of cures and therapies if there's a substantial risk that the government will swoop in and seize the sales revenue they're counting on to recoup their investment — or set a price that makes turning a profit impossible. Progress against debilitating conditions, from cancer and Alzheimer's to diabetes and heart disease, will grind to a halt.

Prescription drugs account for [just 10 percent](#) of national health spending. So focusing on them as a way to reduce overall health costs is misguided.

However, there are ways to save people money on prescription drugs without undermining incentives for innovation.

For example, lawmakers could direct insurers that provide prescription drug plans to seniors through Medicare Part D to [share the rebates](#) that pharmacy benefit managers negotiate on their behalf from drug firms directly with patients at the point of sale. Right now, insurers and their pharmacy benefit managers split those rebates, ostensibly to help lower premiums for all their customers. Sharing them with affected patients would be an [effective way](#) to reduce their out-of-pocket costs.

Reforms like this will actually make medicines more accessible for patients. By contrast, H.R. 3 threatens to stop the next generation of innovative medicines from ever being invented.

When the consequences of a potential brand of reform are this dire, it ceases to be a partisan issue.

Sally C. Pipes is president, CEO, and the Thomas W. Smith fellow in healthcare policy at the Pacific Research Institute. Her latest book is "[False Premise, False Promise: The Disastrous Reality of Medicare for All](#)," (Encounter 2020). Follow her on Twitter [@sallypipes](#). Read Sally Pipes' Reports — [More Here](#).

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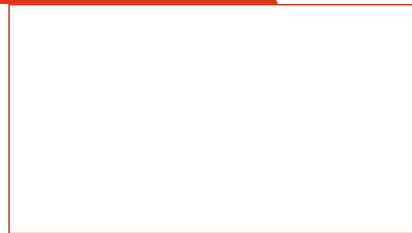


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