COUNCIL for CITIZENS AGAINST GOVERNMENT WASTE

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September 8, 2021

The Honorable Frank Pallone, Chairman
The Honorable Cathy McMorris Rogers, Ranking Member
House Energy and Commerce Committee
Washington, D.C. 20515

Dear Chairman Pallone and Ranking Member McMorris Rogers,

On behalf of the more than 1 million members and supporters of the Council for Citizens Against Government Waste (CCAGW), I urge you to not include any provisions of H.R. 3 or any similar language in your markup of the budget reconciliation provisions that are under the jurisdiction of your committee.

An August 2021 Congressional Budget Office (CBO) working paper by Christopher Adams entitled, "CBO's Simulation Model of New Drug Development," analyzed legislative proposals that may substantially affect new drug development. The "model uses estimates of changes in expected future profits or development costs to estimate the percent change in the number of drug candidates entering the various stages of human clinical trials." The report reiterates what CCAGW has said for some time: the price controls in H.R. 3 will hurt innovation and cause fewer new drugs to be researched and developed.

The working paper cited the original CBO score for H.R. 3, which found it would reduce federal spending by $456 billion, reduce new global drug development funding by 19 percent, and lead to 8 fewer drugs being introduced into the U.S. from 2020 to 2029 and 30 fewer drugs in the next decade. The working paper cited an updated model that studied the effects if the top quintile of expected revenue is dropped by 15 to 25 percent, resulting in a reduction of $900 billion in money to the industry. That policy would reduce by 9 percent new drugs entering in the market in the third decade after the law took effect, or more than 34 drugs.

CCAGW believes CBO is underestimating the result of price controls on drug research, and the analysts admit there is great uncertainty in the model's effect on those estimates and its association with the development process. Small biotech companies, which are mostly involved in early-stage research, where drug development is at its riskiest and depends on research partners and private capital investment, would be severely harmed. Private investors would choose to invest their funds elsewhere where government intrusion is minimal. It is unknown how manufacturers would react to a major government change in drug price determination and could choose to manufacture other medical goods that are not as research intense, especially with a 95 percent excise tax hanging over their head for "non-compliance" with H.R 3. This tax is "tantamount to the theft of intellectual property and would destroy innovation in the pharmaceutical industry."

Let there be no mistake about it: H.R. 3 imposes radical and oppressive price controls, including pricing policies from countries that utilize socialized medicine and rationing to keep costs artificially low, and issuing rebates when the average manufacturer price of a drug increases faster than inflation.

Currently, the United States leads in prescription drug development and the world rides on the research that is paid for by U.S. consumers and taxpayers. A better approach would be to adopt fairer trade deals where other countries respect U.S. intellectual property and pay their fair share for drug research and development.

Again, I strongly urge you to refrain from adopting provisions contained in or similar to H.R. 3 in the reconciliation package or for that matter, passing such language separately in Congress.

Sincerely,

Tom Schatz

CC: House Energy and Commerce Committee Members