ATR Opposes Pelosi Drug Pricing Plan

Today, House Speaker Nancy Pelosi unveiled H.R. 3, the "Lower Prescription Drugs Now Act." This proposal imposes new government price controls, a 95 percent tax on manufacturers, imports foreign pricing schemes, and imposes a new charge on manufacturers in Medicare. Members of Congress should oppose the Pelosi plan.

"Pelosi's drug pricing plan imposes a confiscatory tax in the service of price controls that will end innovation and inevitably lead to a collapse of the healthcare system and put everyone into one sized fits all government monopoly," said Grover Norquist, President of Americans for Tax Reform.

Pelosi's bill contains an excise tax on manufacturer sales of between 65 and 95 percent. The proposal allows government bureaucrats to set the prices of the top 250 prescription medicines. If a manufacturer does not agree with this price, refuses to "negotiate" or tries to walk away, they are hit with a 65 percent tax, or "non-compliance fee" on the gross sales of their drug. This tax increases by ten percent every quarter topping out at 95 percent.

Foreign price controls would be imposed on medicines. Under the proposal, no drug in the US can be more than 1.2 times the volume-weighted average price in six countries – Australia, Canada, France, Germany, Japan, and the United Kingdom.

H.R. 3 would also impose retroactive inflationary rebate penalty for all drugs covered under Medicare Part B and Part D. This would require manufacturers to pay the government for any price increase that was greater than inflation since 2016 and for any future price increase.

Finally, the proposal imposes a 30 percent charge on manufacturers in Medicare. This charge is imposed at the catastrophic phase of the Part D coverage benefit and distorts the insurance program while doing nothing to directly help seniors. It will fall disproportionately on high cost medicines.

The Pelosi plan is not a good faith effort to negotiate lower prescription drug prices. It will end innovation in the US and prevent the development of the next generation of life-saving and life-preserving medicines.

At present, the U.S. is the world leader in medical innovation with almost 60 percent of drugs being developed in the country.

This innovation benefits the U.S. in the form of high-paying jobs, a stronger economy R&D, and access to more life-saving medicines.

In fact, of the 290 new medical substances that were launched worldwide between 2011 and 2018, the U.S. had access to 90 percent. By contrast, the United Kingdom had 60 percent of medicines, Japan had 50 percent, and Canada had just 44 percent. The socialist style policies used in Europe delay new drugs coming to market by an average of 14 months, according to one study.

American innovation does not come easily – on average, it takes more than a decade to bring a new drug to market. Of all the experimental drugs under development, 90% do not receive approval from the Food and Drug Administration and never come to market. In 2016 alone, American drug companies invested $90 billion for therapy research and development of drugs, more than three times the R&D money spent by the National Institutes of Health.

Rather than promote new innovation and improve the healthcare system, H.R. 3 will serve as a stepping stone to Medicare for All.

By implementing government price controls and taxes, the Pelosi plan will smooth the pathway for a complete takeover of the healthcare system with dramatically higher spending and taxes, and narrower choice and access. This plan will end healthcare for over 150 million Americans and is already supported by a majority of House Democrats and several leading Democrat presidential candidates.