

The Real Impact of Prescription Drug Price Controls

Read What Global Experts Think

To address the cost of prescription drugs, the Department of Health and Human Services issued an emergency rule in November 2020 that caps the prices Medicare will pay for certain medicines at the lowest cost of those drugs in any of 16 countries with price controls. This “Most Favored Nation” policy would lead to reduced medical research and development, less innovation, and fewer treatment options for American patients – just as it has in those other countries.

Three separate federal courts have held that the Department did not follow appropriate procedures in implementing the rule and have suspended its implementation. That gives the new administration a chance to rethink its approach to prescription drug policy and government’s role in medical innovation. HHS and members of Congress should use this opportunity to reject counterproductive price controls and foreign reference pricing.

Read What Global Experts Say About Pharmaceutical Price Controls

“ You can learn from countries with price controls that when you interfere in the market, you have unintended consequences. ... Usually, where you try to lower the cost artificially, you end with less of the product. If you control the price, you have too little of it.

- **Wolfgang Muller, Executive Director,
Institute for Economic Freedom (Germany)**

“ In general, price controls reduced life expectancy over time. ... Price controls would have small negative effects on life expectancy for current cohorts, but more significant negative effects in the future.

- **Dana P. Goldman et al.,
Rand Corporation Research Brief, 2008**

“ In Europe, the prices of medicines are more regulated than in the U.S., contributing to medicine shortages in most European countries. In Belgium, for example, shortages amount to 5% of all deployed medicines. That’s a very serious concern for patients. It’s an iron law of economics that price controls cause supply shortages.

- **Pieter Cleppe, Independent Journalist and Policy Analyst (Belgium)**

“ What we've seen with price controls is that it means shortages, waits, and drugs are restricted. Only 41% of drugs that have been created since 2011 are available on the market in Australia because of government price controls. ... Even when they are approved, there is almost a two-year delay on average for a drug to reach a patient. During that time patients suffer, patients die.

- **Tim Andrews, Founder, Australian Taxpayers' Alliance**

“ Canada talks about developing the innovative economy, but enacts policies that prevent it. One sector in particular where this is true is drug development. We could be encouraging our drug development industry but instead we hinder it. One way we do this is with drug price controls.

- **Richard Owens, Senior Fellow, Macdonald-Laurier Institute, and Adjunct Professor, University of Toronto Faculty of Law**

PRICE CONTROLS - GET THE FACTS

Only 1 out of every 12.5 drugs that enter clinical trials ever reach patients. It takes an average of 11 to 14 years and roughly \$2.6 billion to develop, test, and bring a new drug to market.

- *J. DiMasi, H. Grabowski, and R. Hansen, Journal of Health Economics, May 2016*

Of the 220 innovative new medicines launched between 2011 and 2017, patients in the U.S. had access to nearly 90% by June 2018. Patients in the United Kingdom had access to just two-thirds, while patients in Canada and France had access to only 48%.

- *K. Haninger, PhRMA analysis of IQVIA Analytics data, June 2018*

It takes an average of 449 days after Health Canada's approval before patients can access a medicine through a Canadian public drug plan, and only 59% of approved cancer medicines are covered in public drug plans.

- *B. Millson et al., Access to New Medicines in Public Drug Plans: Canada and Comparable Countries, 2016 Annual Report, May 2016*

“ We've had reference price controls for years, and what we saw is that medical R&D has gone down, there are no incentives for the industry to invest. By having price controls, they destroy the market mechanisms.

- **Barbara Kolm, Director, Austrian Economics Center**

“ The adverse effects of price regulation occur through two channels. First, price regulation depresses firms' market performance, thereby depressing R&D and the discovery of new drugs. Declines in the number and innovativeness of new drugs, in turn, lead to decreased longevity and higher expenditures on other forms of medical care. Second, price regulation delays drug launches, distorts consumers' choices toward less innovative drugs, and in some cases actually leads to increases in prices. These effects lead to decreased longevity as well.

- **Daniel P. Kessler, Professor, Stanford University Graduate School of Business**

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