



## **Why Price Controls Don't Work for Employers**

Several Members of Congress argue that the Inflation Reduction Act's price controls should be expanded to employers to reduce costs for workers. This approach is dangerous and will lead to massive shortages and less access to care. People will get sicker, and we will all pay more at the hospital and physician office.

The Inflation Reduction Act uses two primary mechanisms to control drug costs – price controls and inflation rebates (drug taxes). Unlike market based tools, price controls come with great costs.

### **Price controls have significant costs, including creating drug shortages and making current shortages worse.**

- Price controls lead to drug shortages as production is restricted to match lower prices. Current drug shortages for cancer patients and children with ADD will become much worse as medicines start to be rationed.
- There is ample research and real-world evidence on these systems – they create access problems as too much demand chases limited supply at the government price point. Long lines and months or years of waiting for care will result.

### **We've seen this show before – in Europe**

- Most European countries have drug price controls in the form of government “negotiations”, which the IRA mimics, but these countries apply price controls to employees with disastrous effects.
- Patients in OECD countries wait an average of 41 months longer than patients in the US for their government health plan to cover new medicines.
- Of the 290 new medical substances that were launched worldwide between 2011 and 2018, the U.S. had access to 85 percent versus:
  - France - 48%
  - United Kingdom - 60%
  - Japan – 50%
  - Canada – 44%
  - OECD Average – 29%
- If applied to unions and employers in the U.S., the workforce will have dramatically less access to new and existing drugs. Lack of access and adherence to therapies increases health costs, leading to disease progression and increased mortality.

### **The IRA's price controls will lead to less innovation and less access to cures.**

- Medicare's price controls passed just last year are already causing manufacturers to scrap research on cancer and other treatments. According to an analysis of SEC filings and

investor calls, 2 products have already been terminated from continued research due to the IRA, and the price controls haven't even taken hold yet.

- CBO, CMS, and private experts all agree on this point, they simply disagree on the extent of the damage.
  - CBO estimates the number of drugs that would be introduced to the U.S. market would be reduced by about 1 over the 2022-2031 period, about 4 over the subsequent decade, and about 5 over the decade after that.
  - The University of Chicago found a similar approach would lower R&D spending by 29 to 60 percent from 2021 to 2039, which translates to somewhere between 167 to 342 fewer new drug approvals during that period.
- Fewer products on the market will lead to less price competition and higher costs.

### **Expanding the IRA's price controls to employers will be three times worse.**

- About 66 million people are currently enrolled in Medicare, or about 20 percent of the US population. Employers cover about three times as many – about 180 million people (including workers, their partners, and children), about one half of the population.
- As price controls take hold across most of the US population, less and less drugs will be available.

### **Government Bureaucrats in Your Medicine Cabinet**

- Price controls must be administered by the government and imposed on unions and employers. A government bureaucracy and law enforcement must be funded to enforce the controls.
- In a price control scheme, politicians and bureaucrats hold the power – competition shifts from making drugs that consumers want to political markets and their lobbyists who attempt to influence price-setting and coverage decisions.
- The result is government in everyone's medicine cabinet. Congress should seek to depoliticize medical decisions and give control to patients and their doctors, not government bureaucrats and politicians.

### **Inflation Rebates (Taxes)**

- CBO has previously noted that inflation penalties in Part D and Part B “would reduce costs for prescription drug benefits offered by commercial insurance plans” even without extending them to commercial units.
- Medicare already accounts for commercial price growth in the inflation penalties currently being assessed. Specifically, the pricing metrics used – the Average Sales Price (ASP) and Average Manufacturer Price (AMP) – already capture prices paid by most commercial purchasers (e.g., large providers, group purchasing organizations, wholesalers, retail community pharmacies, etc.).