COUNCIL FOR AFFORDABLE
HEALTH COVERAGE

April 21, 2025

Congressman Greg Murphy
407 Cannon House Office Building
Washington, DC 20515

Congressman Don Davis
1123 Longworth House Office Building
Washington, DC 20515

Congressman Richard Hudson
2112 Rayburn House Office Building
Washington, DC 20515

Dear Congressmen Murphy, Davis, and Hudson,

The Council for Affordable Health Coverage (CAHC) writes to express our support for H.R. 1492, *the Ensuring Pathways to Innovative Cures (EPIC) Act.* This important legislation takes a critical step toward correcting the Inflation Reduction Act's (IRA) pill penalty, which will increase long-term costs for taxpayers and patients by creating disincentives in small-molecule drug development.

Under the IRA, small-molecule drugs are subject to government price-setting just nine years after FDA approval, compared to thirteen years for biologics. This inequity is already having a chilling effect on research and development: a 70 percent reduction in investments in small-molecule products leading to a 12 percent reduction in R&D and an expected 188 fewer products over the next 20 years. This reduction in funding is shifting to large-molecule products. Ten times more funding went to biologics versus small-molecule products in 2024.

As more large-molecule products are developed, costs will increase. First, small molecules have a much lower incremental cost than biologics (a median of $4,738 compared with $16,020 for biologics). Second, patients must often pay a hospital or physician a fee to administer a biologic, where the costs are much higher. One study found hospital prices for the top 37 cancer drugs were 86.2 percent more expensive than in physician offices. Another study showed hospitals charged 118 percent more than specialty pharmacies for the same drugs. Costs may also rise as biosimilars are harder and more expensive to genericize than pills.

Because large-molecule drugs are typically injected or infused in a doctor's office or hospital, patients pay for both the drug and the service, which is more expensive than a dispensing fee for a pill at a pharmacy. In Medicare, patients pay as much as 20 percent cost sharing on these additional services.

The IRA and the pill penalty are making the Medicare program structurally more expensive by creating incentives to produce more pricier products delivered in costlier settings. This will make Medicare less affordable for both patients and taxpayers.

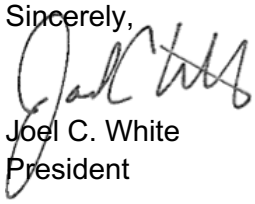
The consequences are not theoretical or in the future. A recent CAHC analysis of cost-sharing comparisons between 2024 and 2025 shows that seniors and individuals with disabilities are already being affected by the pill penalty. Plans are shifting away from flat copayments to coinsurance for selected drugs, generally resulting in a higher out-of-pocket (OOP) cost per prescription at the point of sale for patients. For the nearly 7.5 million Part D beneficiaries taking any of the four pill-penalty medicines — Eliquis®, Entresto®, Farxiga®, and Jardiance® — monthly OOP costs could increase between 10.6% to 75.8%.[1]

MFP Drugs[2]	Estimated Part D Beneficiaries Affected[3]	Estimated Change in Monthly OOP (2024-2025)
Eliquis	3.9M	10.6%
Entresto	664K	21.8%
Farxiga	994K	75.8%
Jardiance	1.8M	69.7%

Despite the improvements the IRA provides to Part D beneficiaries, such as establishing a maximum out-of-pocket cap and a prescription payment plan, CMS price-setting and the pill penalty will contribute to disruptions in patient access and increased costs at the pharmacy.

The EPIC Act would restore balance and fairness to the system by eliminating incentives to produce different types of drugs. We urge Congress to pass the EPIC Act to prevent baking in long-term higher costs that will harm access to affordable coverage now and in the future.

Sincerely,



Joel C. White
President

[1] Council for Affordable Health Coverage. Rotten to the Core: Inflation Reduction Act Undermines Medicare Part D, Pill Penalty Drug Costs Increase Up to 76%. February 2025.
[2] The list of drugs subject to the pill penalty was developed by including medicines used annually by 500K or more Part D beneficiaries and had been on the market for fewer than 11 years at the time of selection on September 1, 2023. Each drugs' approval date found on their FDA Approval Letters was used as the date of market entry (https://www.accessdata.fda.gov/scripts/cder/daf/index.cfm).
[3] Based on Part D enrollees who used the drug of interest in CY 2023. (https://www.cms.gov/newsroom/fact-sheets/medicare-drug-price-negotiation-program-negotiated-prices-initial-price-applicability-year-2026)