

## **Importing International Reference Pricing in the U.S. Jeopardizes Our Fight Against COVID-19 and Patient Access to Innovative Medicines**

Importing foreign price controls in Medicare would be detrimental to patients and America's scientists and researchers who are trying to develop new cures and treatments. Indeed, adopting foreign price controls in Medicare at a time when biotechnology company researchers are working around the clock to fight the COVID-19 virus that is particularly ravaging America's elderly is definitely the wrong prescription. It will undermine investment in R&D, chill our significant progress, and ultimately hurt the very patients who are most vulnerable to COVID-19 and other life-threatening diseases.

### **Adopting Foreign Price Controls Would Jeopardize Patient Access to Innovative Medicines**

- In the debate over drug pricing differences between the U.S. and other countries, there is the oft-ignored and stark reality that the absence of price controls in the U.S. leads to more and newer medicines made available sooner to Americans, with better health outcomes for those with serious diseases. The differences in access are significant and offer a clear warning to those who want to import such systems into the U.S.<sup>i</sup>
  - Of the new cancer drugs launched between 2011 and 2019, **96%** are available in the United States. Compare this with **71% in the United Kingdom, 59% in Japan, and 29% in New Zealand**.
  - **Nearly 90%** of all new medicines launched since 2011 are available in the U.S., compared to **just 61% in the United Kingdom, 52% in France, and 49% in Canada**.
- This lack of access presents real dangers to patients. Researchers have highlighted these risks, comparing differences in health outcomes for patients being treated for locally advanced or metastatic Non-Small Cell Lung Cancer (NSCLC).<sup>ii</sup>
  - The researchers found that, if the access conditions for five ex-U.S. comparator countries (Australia, Canada, France, South Korea, and the United Kingdom) were to replace the actual U.S. access conditions between 2006 and 2017, aggregate survival gains due to innovative medicines would have been cut in half for U.S. patients diagnosed with locally advanced and metastatic NSCLC.
  - According to the authors, this reduction in health gains is due to the access delays experienced by patients in other countries compared to patients in the U.S.

### **Foreign Price Controls Would Stifle Investment and Research into Tomorrow's Cures, including Those for COVID-19**

- The decision to implement artificial price controls would come at a steep price in terms of future research into the most innovative medicines and cures of tomorrow, including undermining investment in COVID-19 vaccines and treatments.
- An analysis of H.R. 3 – Democrats previous drug pricing bill from 2019, which would impose foreign price controls in Medicare – found that it would have a devastating impact on the innovative biotechnology sector, resulting in many fewer medicines coming to market and available to patients.<sup>iii</sup>

- The research found that, had H.R. 3 been in place from 2009-2019, the 68 approved innovative therapies developed by emerging biotech during that time would have been reduced to just 7 – leaving critical health care gaps for millions of Americans.
- Furthermore, biopharmaceutical industry job losses alone would total nearly 191,000, with total job losses across the economy of more than 950,000 when indirect effects are included.
- These losses would be triggered by a sharp drop in U.S. biopharmaceutical industry earnings (a 62% reduction, or \$125 billion in 2024 alone) as a result of H.R. 3, leading to large reductions in established companies’ ability to invest in small and emerging biotechs, chilling drug development and forestalling treatments and cures for patients in needs.
- As the largest market for pharmaceuticals in the world, the United States drives the innovation that ultimately improves the lives of millions across the globe. Prior to the adoption of price controls, European-based firms led the U.S. on prescription drug research and development by 24%.<sup>iv</sup> By 2015, these firms had fallen behind their U.S. counterparts by 40%.<sup>v</sup>
- Price controls in OECD countries reduced global R&D spending by between \$5 billion and \$8 billion, enough to fund the discovery of three to four new drugs per year.<sup>vi</sup>
- Economists have warned that, had foreign price controls been adopted in the U.S. from 1986-2004, 117 fewer new medicines would have been produced for worldwide use.<sup>vii</sup> Conversely, a 2018 study by researchers with Precision Health Economics found that eliminating price controls in OECD countries would lead a 12 percent increase in R&D and the development of 13 new drugs per year.<sup>viii</sup>
- Beyond COVID, Alzheimer’s disease is a devastating illness for 5.7 million Americans and their families and costs \$277 billion each year, including nearly 20% of Medicare spending. Between 1998 and 2017, there were 146 unsuccessful attempts to develop medicines to treat and potentially prevent Alzheimer’s.<sup>ix</sup> Despite these setbacks, biopharmaceutical researchers and the companies they work for are committed to finding new therapies to treat this disease, but foreign price controls will shift investment away from this research and leave little hope for patients and their families. The same is true for many other diseases where patients and their families hope for a successful treatment or cure.

### **Foreign Free-Loading is a Problem, but There Are Better Solutions**

- While the United States does disproportionately support the profits of drug companies – which are reinvested into this remarkable innovation at rates higher than any other industry – the claims of excess profit are overblown. The biopharmaceutical industry ranks 36th among all U.S. industries in profitability. In fact, only 35 public U.S. biopharma companies make any profit at all selling brand name prescription drugs – less than 10% of all U.S. biopharmaceutical companies. ***That is, 90%+ of these companies are unprofitable.***
- Foreign “free-loading” on American innovation is indeed a problem – and not just with drugs. Virtually every aspect of our healthcare system is more expensive than in Europe – hospital visits, diagnostic tests, etc.

- Rather than impose artificial price controls – including those adopted by foreign countries with single-payer, socialized medicine systems – we should export the American system by promoting fair trade agreements that force foreign countries to respect American intellectual property and fairly value American innovation. Let's export the American solution rather than importing the socialist problem.
- Policymakers also should focus on solutions that correct market failures, increase competition, and lower costs for patients. Specifically, reforms should:
  - (1) End the perverse incentives and effects of the drug rebate system, by making sure patients pay based on the discounted price of a drug rather than its artificial list price, and by eliminating incentives for companies to increase list prices just to pay ever greater rebates demanded by the middlemen.
  - (2) Make patient access and affordability paramount, by lowering co-pays, capping OOP costs, and removing other barriers to access imposed by insurance companies.
  - (3) Move towards a value-based system for payment of drugs by removing federal barriers to innovative financing arrangements.
  - (4) Promote generic and biosimilar entry after patents expire to create headroom for future innovation and target abusive practices that unfairly restrain competition.

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<sup>i</sup> <https://www.phrma.org/-/media/Project/PhRMA/PhRMA-Org/PhRMA-Org/PDF/A-C/Comparison-of-Availability---New-Cancer-Meds---112520.pdf>, <https://www.phrma.org/en/Report/Prescription-Medicines---Costs-in-Context>

<sup>ii</sup> [https://cdn.ihs.com/www/prot/pdf/0119/IHSM\\_NSCLC%20HTA%20model%20white%20paper\\_18Jan2019r.pdf](https://cdn.ihs.com/www/prot/pdf/0119/IHSM_NSCLC%20HTA%20model%20white%20paper_18Jan2019r.pdf)

<sup>iii</sup> <https://vitaltransformation.com/2021/03/5984/>

<sup>iv</sup> <https://www.nber.org/papers/w12676.pdf>

<sup>v</sup> <https://iri.jrc.ec.europa.eu/scoreboard16.html>

<sup>vi</sup> <https://2016.trade.gov/td/health/DrugPricingStudy.pdf>

<sup>vii</sup> <https://www.aei.org/press/government-price-controls-on-drugs-will-reduce-innovation-and-cost-lives/>

<sup>viii</sup> [https://tools.ispor.org/research\\_pdfs/58/pdf/PHP216.pdf](https://tools.ispor.org/research_pdfs/58/pdf/PHP216.pdf)

<sup>ix</sup> <https://www.phrma.org/alzheimer-s-medicines-setbacks-and-stepping-stones>