

INTERNATIONAL REFERENCE PRICING

Congressional and White House Proposals Would Adopt Foreign Price Controls for Prescription Drugs

Policymakers in Washington D.C. have offered various drug pricing proposals that would replace the current free and fair market-based system for determining the value of prescription medicines with a system based on international reference pricing. These proposals seek to import into U.S. health care the price controls that have been adopted by foreign countries with single-payer health care systems.

Under the Trump administration's proposed International Pricing Index (IPI) model, reimbursement for treatments covered by Medicare Part B would no longer be based on the average sales price negotiated in the free market. Instead, the federal government would tie reimbursement to the average prices set by the governments of 12 different countries. The proposal would also replace the additional payment used by physicians to cover their administrative costs with a flat-fee.

The Lower Drug Costs Now Act (H.R. 3), introduced by Speaker Nancy Pelosi (D-CA) and House Democratic leadership, would expand the administration's IPI proposal into other parts of the health care system. H.R. 3 would apply international reference pricing to Medicare Part B, as well as the Medicare prescription drug benefit program (Part D) and private health plans people receive through the commercial market.

Policy Position

Adopting foreign price controls on innovative medicines would severely chill investment in new cures and therapies for diseases, such as Alzheimer's and cancer, and jeopardize access to these medicines for patients in need. BIO strongly opposes changes that would harm the health and well-being of patients. Policymakers should work with all health care stakeholders on holistic reforms that will promote competition and lower drug costs for patients, without disrupting our nation's innovative ecosystem that leads the world in discovering new cures and treatments.

Key Points

- ✓ **Adopting foreign price controls would jeopardize access to new, innovative medicines for patients in need.**
 - Nearly 90% of new medicines launched since 2011 are available in the U.S., compared to just 50% in France, 48% in Switzerland, and 46% in Canada.
 - 74 cancer drugs launched between 2011 and 2018, 95% are available in the United States, compared with 74% in the United Kingdom, 49% in Japan, and 8% in Greece.
- ✓ **These proposals would put America's innovative medicine pipeline at risk.**
 - 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.
 - Prior to adopting price controls, European companies invested 24% more on prescription drug R&D than U.S.-based companies. By 2015, European-based companies had fallen behind their U.S. counterparts by 40%.
 - 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.
- ✓ **Reduced out-of-pocket costs would be minimal.**
 - Less than 1% of Medicare beneficiaries would see reduced out-of-pocket costs if the Trump administration moves forward with their IPI proposal.
 - In recent years, total spending on prescription drugs was only 10% of overall Part B spending – less than 5% of total Medicare spending.
- ✓ **Introducing new middlemen adds costs and complexity to an already complex system.**
 - Physicians who are unable to absorb these burdens and reimbursement changes, such as smaller practices and rural health providers, would likely close or shift services to higher-cost hospital settings. By driving provider consolidation and moving these services to more expensive health care settings, the administration's proposal risks increasing costs for patients, physicians and taxpayers