

July 20, 2020

President Donald Trump
1600 Pennsylvania Ave. NW
Washington, DC 20500

Dear President Trump,

We, the undersigned organizations, representing millions of taxpayers and consumers nationwide, oppose any executive order that would tie prescription drug prices in the United States to those in foreign nations.

There is no denying that the cost of healthcare in the United States is quite high and continues to rise at a rate that is unsustainable for many Americans. Addressing this crisis requires a sober analysis of all of the factors at play and a willingness to come together across the aisle to offer a lasting solution for the millions of families and caregivers in our great nation.

Unfortunately, the “international pricing index” (IPI) and its most recent variant that includes a “most favored nation” (MFN) provision are not the type of solutions our nation needs. In fact, they represent quite the opposite of what is needed.

Any form of price setting is a treatment of symptoms, not causes. Prices stem from the actions and demands of both individuals and groups. As has been shown repeatedly in countries with socialized health care systems, governments cannot expect to set the price of any good - let alone one as crucial as prescription drugs - below its market value without incurring painful consequences.

This is not hypothetical. The healthcare systems in the reference nations upon which the IPI would base its pricing have scores of inefficiencies. These nations routinely suffer from increased wait times, drug shortages, and rationing of care. We need our leaders to do whatever is in their power to prevent these outcomes from making their way to our shores, not to emulate the systems that have engendered them. We cannot implement the same models as other nations and believe we will remain immune to their deficiencies.

A study using data from the National Institutes of Health found that if all developed countries lifted all price controls on prescription drugs, the resulting increase in investment in pharmaceutical research and development would yield eight to thirteen new drugs per year through 2030.

This is pure logic. As we stated earlier, there are distinct economic consequences to holding a commodity below market value. One of those is to increase demand; another is to decrease supply. The resources and time required to develop a new drug and bring it to market are tremendous, and drugmakers must be able to eventually recoup those investments in order to

stay in business to develop more cures. Sadly, price controls would leave many waiting in vain for cures that will never come.

With the MFN provision, the U.S. would, by definition, move itself to the back of the line and would be required to have the most stringent price controls globally. Pharmaceutical companies cannot afford to spend exorbitant sums to develop new drugs in a nation that has made itself the worst place on earth to try and recoup their investments.

Beyond the economic and human costs of such a proposal, there are a variety of legal issues with the IPI. First, it relies on an overly broad interpretation of what constitutes a “limited experiment” under the Center for Medicare and Medicaid Innovation’s (CMMI) statutory authority. Implementing this proposal across broad swaths of Medicare is hardly limited, and the ripple effects it would have will impact the entire healthcare industry in our nation.

The administration is trying to argue before the Supreme Court that the Affordable Care Act is unconstitutional and using programs established by the law to implement a sweeping change to healthcare as we know it. This proposal, if implemented, would undermine that worthy fight.

If we’ve learned anything over this tumultuous year, it’s that it is an absolute necessity for our healthcare system to be able to operate with maximum flexibility. Price setting through IPI, and price setting accelerated to its most extreme with MFN would stifle medical innovation at a time where we can least afford it as a nation.

As we look to setting America on a sustainable path towards more affordable healthcare for all our citizens, especially its most vulnerable, all of these considerations must be reviewed thoroughly. It is imperative that this be done right and not hastily, which is why we oppose any executive order that would tie prescription drug prices in the United States to those in foreign nations.

Sincerely,

Adam Brandon
President
FreedomWorks

Brent Wm. Gardner
Chief Government Affairs Officer
Americans for Prosperity

Tom Schatz
President
Citizens Against Government Waste

Grover Norquist
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Americans for Tax Reform

Pete Sepp
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David Williams
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Karen Kerrigan
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Small Business and Entrepreneurship Council

Ryan Ellis
President
Center for a Free Economy

James Edwards
Executive Director
Conservatives for Property Rights

Matthew Kandrach
President
Consumer Action for a Strong Economy

cc: The Honorable Mike Pence
The Honorable Mark Meadows
The Honorable Brooke Rollins
The Honorable Jared Kushner
The Honorable Amy Swonger

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