



ADVANCING AMERICAN FREEDOM

Price Controls Will Create Medical Shortages

Topline: Like so much else with the current Administration, the so-called Inflation Reduction Act promises one thing and delivers another. Nowhere is this clearer than in the law's government price-setting power for prescription drugs. The Administration claims this is a "negotiation" that improves affordability for patients. In reality, it's just about the government dictating winners and losers, creating new access barriers for patients, and undermining U.S. leadership in discovering new treatments for serious diseases and conditions.

Background

- It is no surprise that the Democrats' Orwellian-named "Inflation Reduction Act" has several flaws. Perhaps one of its more egregious components, however, pertains to drug pricing.
- The law requires that the Centers for Medicare and Medicaid Services negotiate prices for the top-spending Medicare drugs.
- [Per the WSJ](#): Drug makers that don't participate or reject the government's price will incur a crippling daily excise tax that starts at 186% and eventually climbs to 1,900% of the drug's daily revenues. **This is extortion, not a negotiation.**
- Now, Senate Democrats are attempting to take a bad idea and make it worse. The SMART Prices Act (S. 1264) would expand the initial round of negotiations to 40 drugs and worsen the damage done to more and newer drugs, further damaging critical progress.
- They are only outdone by their counterparts in the House via the Lowering Drug Costs for American Families Act (H.R. 4895), which covers 50 drugs and applies to patients with private health insurance.

Impact

- **For companies:** These provisions in the IRA will discourage investment in research and development, as well as in generics and biosimilars because their manufacturers could later be undercut by the impending price controls on brand drugs—all of which threaten advancements in new and existing treatments.
- **For consumers:** Americans may end up paying more for prescription drugs, as these provisions may cause companies to launch drugs at higher prices and raise prices for privately insured patients to compensate for the Medicare cuts. This also threatens to undermine Medicare Part D, which will reduce consumer access and choice.
- As AstraZeneca argues in its recent [lawsuit](#), the drug provisions in the IRA (and related legislation now in Congress) will encourage drug makers to slow the development of certain treatments, since eligibility for price controls begins upon FDA approval.
- In fact, a [recent survey](#) found that prices for prescription drugs and health insurance either increased or stayed the same for 80% of respondents after the enactment of the spending bill, with only around 10% seeing any decreases in costs.

Conservative Solutions

Government intrusion into successful markets does more harm than good. Policymakers should focus on solutions that reinforce market competition, strengthen patient and consumer choice, and protect patients' and physicians' ability to choose from a range of competing treatments instead of just those favored by government bureaucrats.

Resources

- Key Dates for Inflation Reduction Act's Medicare Drug Price Negotiation Program ([CMS](#))
- Drug Price Controls Mean Slower Cures ([WSJ](#))
- Impact of IRA Policy Expansion Proposals on the US Biopharma Ecosystem ([VitalTransformation](#))
- American Opportunity, The Freedom Agenda ([Advancing American Freedom](#))