Comments to the Centers for Medicare & Medicaid Services on an International Pricing Index Model for Medicare Part B Drugs

STEPHEN EZELL | DECEMBER 2018

Adopting an international drug reference pricing scheme would limit drug innovation—potentially leading to higher, not lower, health care costs in the future—while at the same time reducing U.S. biopharmaceutical industry competitiveness, meaning fewer jobs and exports.

The United States leads the world in novel biomedical innovation. This is a result of many factors, including world-leading public and private investment in life-sciences research and development (R&D), strong research universities, and effective technology transfer and commercialization policies (i.e., the Bayh-Dole Act) aligned with robust intellectual property (IP) protections. However, a key reason why the United States leads the world in life-sciences innovation is that its companies have been able to generate sufficient revenue from the sales of one generation of biomedical innovation to finance the significant investment needed to produce the next generation, perpetuating a virtuous, multi-generational cycle of life-sciences innovation.

While the Trump administration’s goal of better managing U.S. healthcare costs is certainly laudable, its proposal to do so in part through adopting an international drug reference pricing scheme for medicines covered by Medicare Part B would inflict unnecessary harm on the U.S. life-sciences innovation system, over the long term curtailing the development of new drugs and therapies which American (and global) patients depend upon for care and quality of life. Adopting an international drug reference pricing scheme would effectively import foreign nations’ drug price controls into the United States—price controls which have limited life-sciences innovation in other
nations. As such, it would limit drug innovation—potentially leading to higher, not lower, health care costs in the future—while at the same time reducing U.S. biopharmaceutical industry competitiveness, meaning fewer jobs and exports.

There are a number of other options the administration can pursue to reduce the growth of healthcare system costs without negatively impacting biopharmaceutical innovation and imperiling an U.S. life-sciences competitiveness.