



December 6, 2018

The Honorable Alex M. Azar
Secretary of Health and Human Services
200 Independence Avenue SW
Washington, D.C. 20201

Dear Secretary Azar,

We write to express concerns about a proposal that would adopt an international price model index to establish drug prices under portions of the Medicare program. Such a system would reference drug prices set by selected foreign governments to determine the maximum price at which a particular drug could be sold under Medicare.

Implementing a reference pricing system in the United States would create price controls that bring with them the same types of harms these policies have caused in foreign countries, to the detriment of the health care system at large and investments in U.S. research and development. History has shown that price controls on any commodity or service produce unintended but consistently detrimental effects.

In general, setting price controls at below-market rates leads to shortages, squeezes the cost bubble toward some other portion of the economy, and imposes a deadweight cost on society. In this case, price controls can lead to a reduction in patient access to certain drugs, less investment in the research and development of new drugs, and cost-shifting that raises the prices of other therapeutics. Ultimately, patients will suffer as cures are delayed or entirely undeveloped, while taxpayers will be denied potential savings from drugs that could obviate more expensive treatments in government healthcare programs, and the investment of capital in development of new medicines.

Policymakers looking to reform drug pricing models should reject price controls and instead pursue alternative market-based approaches that would lower prices, expand access, and encourage more innovation.

Signed,

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