



Date: March 11, 2020

To: Members of Minnesota State Senate Leadership

From: National Taxpayers Union

Re: Oppose SF 3120

On behalf of National Taxpayers Union (NTU), the nation's oldest taxpayer advocacy organization, we are here to express our strong opposition to SF 3120, an act which establishes a prescription drug price control commission. Despite well-meaning legislative intent and the importance of prescription drug affordability, Minnesota patients and taxpayers will not be well-served should the provisions of this bill become law.

The objective of SF 3120 is to reduce drug prices by granting authority to effectively cap drug prices that are subjectively deemed too costly. Unfortunately, this well-intentioned legislation creates unintended consequences, which could limit the availability and development of prescription options to Minnesota consumers.

SF 3120 will likely have a longstanding, detrimental effect on innovation and development of groundbreaking, life-saving medications. Explicitly, the legislation establishes a Commission to review prescription drug costs with the goal of price control enforcement by way of a "maximum reimbursement level" for the drug supply chain. It is rather notable that the legislation does not account for systemic flaws that prevent discounts from directly flowing to patients and erroneously assumes that the price of a drug is determined solely by one piece of the supply chain puzzle.

This legislation blatantly ignores the multiple stakeholders involved in determining what consumers ultimately pay for medications and overlooks the role of consumer drug coverage. For example, pharmacy benefit managers determine the terms of drug coverage for medications and then exert influence over which prescription drugs are included on formularies based upon rebates and discounts. NTU has previously expressed concern that negotiated rebates are not always passed along to the consumer, effectively failing to offset patient costs at the point of sale.

Imparting price controls will invariably diminish research and development and will remove incentives that encourage manufacturers to pursue innovative prescription drug solutions. SF 3120 fails to consider that manipulating economic structure through regulatory provisions or legislative decree often generates negative results. If lawmakers elect to artificially and arbitrarily cheapen prescription drugs, Minnesota will eventually have less access to innovative medications.

The stated purpose of this legislation is to lower prescription drug prices and reduce out-of-pocket costs for Minnesota patients. NTU shares these goals with lawmakers and recognizes the challenges faced by patients and taxpayers. In consideration of our mutual goals, we strongly believe that imposing government-dictated price controls on prescription drugs will not lower drug prices and will ultimately decrease patient access and limit the innovation of new life saving medications.

We hope you stand with the patients and taxpayers of Minnesota and oppose this legislation. Thank you for your time and consideration of NTU's comments, please reach out should you have any questions.

Sincerely,

Jessica Ward
Director of State Affairs

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Vice President of State Affairs