

Coalition Urges Withdrawal of International Pricing Index

January 30, 2020

**AMERICANS
for TAX REFORM**



AMERICAN COMMITMENT



THE
AMERICAN
CONSERVATIVE
UNION



The American Consumer Institute
Center for Citizen Research



The Honorable Alex Azar
Secretary
Department of Health and Human Services
200 Independence Avenue SW
Washington, DC 20201

Dear Secretary Azar:

We urge you to withdraw, not finalize, the administration's proposed International Pricing Index (IPI) for drugs administered under Medicare Part B.

The proposed payment model imports foreign price controls into the U.S. by modifying the Part B reimbursement rate so that it is calculated based off the prices set by 14 countries.

Instead of relying on government price setting, Medicare Part B is currently calculated based on market prices. The formula, which is based on the "Average Sales Price" (ASP) in the U.S. market, includes the discounts negotiated between payers, hospitals and health plans. Recently this system led to a 0.8 percent decrease in the cost of the top 50 Part B drugs.

In contrast, foreign countries frequently utilize a range of arbitrary and market-distorting policies to determine the cost of medicines – by definition such approaches are price controls. There is no negotiation and foreign governments often force innovators to accept lower prices in a "take-it-or-leave it" proposition. This results in reduced or restricted access to new medicines and higher prices for those medicines that enter the market.

Conservatives have long opposed price controls because they utilize government power to forcefully lower costs in a way that distorts the economically efficient behavior and natural incentives created by the free market.

When imposed on medicines, price controls suppress innovation and access to new medicines. This deters the development and supply of new life saving and life improving medicines to the detriment of consumers, patients, and doctors.

The U.S. is a world leader in research & development because our healthcare system rejects price controls and encourages innovation. As a result, a majority of new medicines are developed and launched in America.

This innovative environment is enormously beneficial to the long-term well-being of Americans and the efficiency of the U.S. healthcare system. In addition, the investment required for research and development of medicines leads to more high-paying jobs and a stronger economy.



Importing price controls will undermine this system by basing U.S. prices on the prices of socialized foreign healthcare systems. This will inevitably suppress innovation and harm American competitiveness.

Ironically, the administration recognized the damage that adopting foreign pricing would have on American innovation in a report released in February 2018 by the president’s Council of Economic Advisors:

“If the United States had adopted the centralized drug pricing policy in other developed nations twenty years ago, then the world may not have highly valuable treatments for diseases that required significant investment.”

We are also concerned that the IPI is being proposed through the Obamacare Center for Medicare and Medicaid Innovation (CMMI). There is long standing conservative opposition to CMMI based on the concern that it bypasses Congress’ power over the purse as enshrined in Article I of the Constitution.

CMMI is completely exempt from the Congressional appropriations process and is prone to being misused in ways that result in the executive branch of government usurping Congress’ role in setting policy.

The administration has repeatedly acknowledged that foreign price controls have damaged medical innovation.

Instead of fighting these price controls, we are concerned that the proposed International Pricing Index adopts them. This proposal will suppress competition and innovation and harm American competitiveness and investment.

We respectfully request that your department withdraw this proposal.

Sincerely,

Grover Norquist
President, Americans for Tax Reform

James L. Martin
Founder/Chairman, 60 Plus Association

Saulius “Saul” Anuzis
President, 60 Plus Association

Dick Patten
President, American Business Defense Council

Phil Kerpen
President, American Commitment

Dan Schneider
Executive Director, American Conservative Union

Steve Pociask
President, American Consumer Institute

Lisa B. Nelson
CEO, American Legislative Exchange Council

Dee Stewart
President, Americans for a Balanced Budget



Rick Manning
President, Americans for Limited Government

Joel White
President, Council for Affordable Health Coverage



Bob Carlstrom
President, AMAC Action

Katie McAuliffe
Executive Director, Digital Liberty

Robert Roper
President, Ethan Allen Institute

Palmer Schoening
President, Family Business Coalition

Richard Watson
Co-Chair, Florida Center-right Coalition

Adam Brandon
President, FreedomWorks

George Landrith
President, Frontiers of Freedom

Naomi Lopez Bauman
Director of Healthcare Policy, Goldwater Institute

Tim Chapman
Executive Director, Heritage Action for America

Mario H. Lopez
President, Hispanic Leadership Fund

Linda Gorman
Health Care Policy Center Director, Independence Institute

Carrie Lukas
President, Independent Women's Forum

Heather R Higgins
CEO, Independent Women's Voice

Tom Giovanetti
President, Institute for Policy Innovation

Colin Hanna
President, Let Freedom Ring

Andrew F. Quinlan
President, Center for Freedom and Prosperity

Ryan Ellis
President, Center for a Free Economy

Jeffrey Mazzella
President, Center for Individual Freedom

Ginevra Joyce-Myers
Executive Director, Center for Innovation and Free Enterprise

Peter J. Pitts
President and Co-founder, Center for Medicine in the Public Interest

Thomas Schatz
President, Citizens Against Government Waste

Gregory Conko
Senior Fellow, Competitive Enterprise Institute

Matthew Kandrach
President, Consumer Action for a Strong Economy (CASE)

Fred Roder
Health Economist/Managing Director, Consumer Choice Center

Yaël Ossowski
Deputy Director, Consumer Choice Center

James Edwards
Executive Director, Conservatives for Property Rights





Seton Motley
President, Less Government

Ed Martin
President, Phyllis Schlafly Eagles



Mary Adams
Chair, Maine Center-right Coalition

Lorenzo Montanari
Executive Director, Property Rights Alliance



Charles Sauer
Founder/President, Market Institute

Paul Gessing
President, Rio Grande Foundation



Tim Jones
Chair, Missouri Center-right Coalition
Former Speaker, Missouri House of Representatives

Karen Kerrigan
President/CEO, Small Business & Entrepreneurship Council



Pete Sepp
President, National Taxpayers Union

David Williams
President, Taxpayers Protection Alliance



Stephen Stepanek
Co-Chair, New Hampshire Center-right Coalition

Sara Croom
Executive Director, Trade Alliance to Promote Prosperity

Doug Kellogg
Executive Director, Ohioans for Tax Reform

C. Preston Noell III
President, Tradition, Family, Property, Inc.



Jeff Kropf
President, Oregon Capitol Watch Foundation



Sally Pipes
President, Pacific Research Institute



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