



July 10, 2023

Chairman Sanders and Ranking Member Cassidy,

I write in opposition to the proposed policy regarding Pandemic and All-Hazards Preparedness Act (PAHPA) Reauthorization legislation that would mandate all BARDA and CDC-supported products be sold to the Federal Government or in the U.S. commercial market at the lowest price among G7 countries and at a “reasonable price.”

This price control scheme would endanger American innovation by disincentivizing research and development while inevitably leading to market scarcity – as price controls always do. Prices should result from market forces rather than political expediency or an ideological agenda imposed by government.

“Reasonable price” clauses are not new policy concepts but rather a tried and failed approach with a track record of unintended consequences.

From Fiscal Year (FY) 1990 to 1995 The National Institute of Health attempted to address concerns about high drug prices by implementing a “reasonable price” requirement for its Cooperative Research and Development Agreements (CRADAs). This led to an immediate and substantial decline in the number of new CRADAs per year compared to years predating “reasonable pricing” requirements.

By 1995, NIH repealed this clause with the stated reason that “the pricing clause has driven industry away from potentially beneficial scientific collaborations with PHS (Public Health Service) scientists without providing an offsetting benefit to the public.”¹

An NIH report published in 2021 reviewing the decision to repeal the “reasonable price” requirement found that “in the five years after NIH removed the pricing clause, there was a four-fold increase over the previous five years with the clause in the numbers of CRADAs overall and more than a doubling of individual collaborating companies.”²

Congress should learn from this past failure and avoid repeating NIH’s mistake of implementing a “reasonable price” requirement in PAHPA Reauthorization legislation.

Americans for Tax Reform opposes this effort to implement price controls in PAHPA Reauthorization and urges all Members of Congress to reject so-called “reasonable pricing.”

Onwards,

Grover Norquist,
President of Americans for Tax Reform.

¹ <https://www.techtransfer.nih.gov/sites/default/files/documents/pdfs/NIH-Notice-Rescinding-Reasonable-Pricing-Clause.pdf>

²

<https://www.techtransfer.nih.gov/sites/default/files/CRADA%20Q%26A%20Nov%202021%20FINAL.pdf>

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