



U.S. House of Representatives
Washington, DC 20515

July 26, 2022

The Honorable Phillip Swagel
Director
Congressional Budget Office
Ford House Office Building
Washington, D.C. 20515

Director Swagel,

We thank you for your office's work analyzing the ever-increasing costs and implications of the Democrat majority's reconciliation plan. This legislation, highlighted by price controls on prescription drugs and extending inflationary Affordable Care Act Marketplace subsidies, proposes the wrong solutions to ensure Americans receive innovative and affordable health care.

Pharmaceutical research is a hallmark of American innovation. Your previous analysis has confirmed these policies to have chilling effects on needed pharmaceutical development – 15 fewer potentially life-saving drugs coming to market over the next 30 years¹. Your April 2021 report on Research and Development in the Pharmaceutical Industry highlights that the pharmaceutical industry devoted \$83 billion to research and development (R&D) in 2019, more than 10 times what the industry spent per year in the 1980s, adjusted for inflation². We have serious concerns that the price controls central to the Democrats' reconciliation bill will take our country backwards, with an outsized impact on future investment³. The 15 cures you forecast will be lost in the next 30 years could cost millions of patients their health and livelihoods.

What's worse, we theorize these price control policies may have a reverse effect and incentivize higher prices for future cures. These higher prices will be borne by all individuals whether covered by Medicare, Medicaid, private insurance, or uninsured.

Not only do we believe that prices for new drugs will actually increase, but we fear those price controls will disincentivize a proven, market-based method to reduce current drug prices for all Americans, not just those on Medicare – generic drug competition⁴. At a time when out-of-

¹ Congressional Budget Office, Estimated Budgetary Effects of Subtitle I of Reconciliation Recommendations for Prescription Drug Legislation, July 8, 2022, <https://www.cbo.gov/publication/58290>

² Congressional Budget Office, Research and Development in the Pharmaceutical Industry, April 8, 2021, <https://www.cbo.gov/publication/57025>

³ Axelsen, Kristen, Prescription Drug Pricing Proposal Disrupts Investment for Minimum Benefit in Cost, American Enterprise Institute, July 20, 2022, <https://www.aei.org/health-care/prescription-drug-pricing-proposal-disrupts-investment-for-minimum-benefit-in-cost/>

⁴ Food and Drug Administration, New Evidence Linking Greater Generic Competition and Lower Generic Drug Prices, December 13, 2019, <https://www.fda.gov/media/133509/download>

pocket costs are a leading health care concern for Americans, no policies that increase drug prices or prevent competition should be considered favorably⁵.

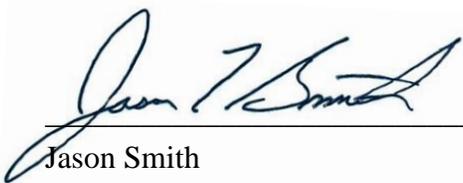
Additionally, we have concerns that proposed changes to Medicare Part D will cause increased federal spending to hide Part D premium increases. Any proposals to lower beneficiary premiums should be motivated by true cost reductions, not deceptive cost shifting.

To that matter, we request answers to the following questions related to provisions in the updated reconciliation language:

1. Of cancer-treating drugs introduced in the last 30 years, which are the top 15 utilized by Medicare Part B enrollees?
2. We understand the savings generated by Sections 129001, 129101 and 129102 are driven by current, branded drugs. What impact does CBO assume these policies will have on the launch prices of drugs approved by FDA after those sections are enacted?
3. What impact does Section 129001 have on the market entry of new generic drugs?
4. What impact does the “premium stabilization” provision in Section 129201 have on federal spending in the Part D program? What are the underlying factors driving any increase in federal spending?

Thank you for your assistance in providing information on this exceedingly damaging legislation and we kindly request a response no later than August 2, 2022. We are confident this information will allow lawmakers and the American people to understand fully the repercussions of the Democrats’ shortsighted policies.

Sincerely,



Jason Smith
Republican Leader
House Committee on the Budget



Kevin Brady
Republican Leader
House Committee on Ways and Means



Cathy McMorris Rodgers
Republican Leader
House Committee on Energy and Commerce

⁵ Impact Research/Public Opinion Strategies, Insuring the Insured: Consumer Expectations and Experiences with Health Care Costs and Coverage, May, 2022, <https://consumers4qualitycare.org/research/>