



# OPINION: DRUG COMPANIES ARE DELIVERING A “GOLDEN AGE OF MEDICINE.” LET’S PROTECT IT. - INSIDE SOURCES

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New vaccines for scourges like malaria and respiratory syncytial virus, or RSV. New cancer drugs that can cut death rates by half or even cause complete remission. The discovery of a biomarker that could identify people who would benefit from investigational drugs for Parkinson’s Disease. Breakthrough treatments that curb obesity and other addictive behaviors.

Innovations like these have led The New York Times to declare the 2020s a “golden age for medicine.”

But this golden age might be cut short, and a new generation of cures lost to bad policy, if legislation called the SMART Prices Act advances.

Introduced by Sen. Amy Klobuchar (D-Minn.) and co-sponsored by 28 other Democrats, the bill would expand the powers granted to the government by last year’s Inflation Reduction Act. House Democrats recently unveiled a similar bill, the Lowering Drug Costs for American Families Act.

The IRA granted Medicare the power to “negotiate” drug prices with manufacturers for the very first time. Negotiation is a euphemism, of course. If a drug company doesn’t agree to the government’s proposed price, it will get hit with an excise tax of up to 95 percent of the drug’s gross sales. That is tantamount to seizing all the revenue from the sale of that drug.

The IRA subjects 10 drugs to price controls starting in January 2026. The federal government announced which 10 last week.

The SMART Prices Act proposes to go much further. It would double the initial group of drugs subject to price controls to 20 — and then double it again the following year.

The newly proposed Senate bill would also shorten the period during which drugs are exempt from price-setting.

Under the IRA, small-molecule drugs- generally speaking, the most familiar pills- can be considered for price controls nine years after FDA approval. Biologic drugs, which are manufactured using living organisms, can be subject to price controls 13 years after approval.

Under the SMART Prices Act, the government could impose price caps just five years after approval. And there'd be no distinction between small-molecule and biologic drugs.



Combining more price controls and a shorter period of pricing freedom would devastate drugmakers' finances. Research group Vital Transformation projects that the SMART Prices Act would cause pharmaceutical companies' earnings to decline by 37 percent.

The inevitable fallout of declining revenues is fewer medicines. Vital Transformation estimates that nearly 240 new medicines might go undeveloped over the next decade if the SMART Prices Act were to become law.

Had the Senate bill's price controls been in effect before today's best-selling medicines were developed, two-thirds would not have made it to FDA approval — and reached the patients who need them.

The House bill is even more radical. It would extend Medicare's price controls to the private insurance market. And it would increase the number of drugs subject to price controls. Both moves would take even more cash out of the pharmaceutical market, thereby reducing the amount of money that can go toward developing the next generation of therapies.

The IRA has already forced cuts in drug research. A survey of drug companies found that 78 percent expect to cancel early-stage research into new drugs because of the looming price controls. Just months after the IRA was passed into law, a treatment for a rare eye disorder fell victim to the chopping block.

Drug companies do not stop research on a treatment they've invested millions in due to a fit of pique. They do so because bad policy has made continuing their research efforts financially infeasible.

Democrats think we can avoid these trade-offs, as though drugmakers are sitting on a secret pile of money. But the pharmaceuticals sector is the 15th most profitable as of January. Coal, tobacco, and railroads all claim higher profit margins. Biopharma is also the most research-intensive industry in the world, devoting nearly 30 percent of revenue to R&D in 2022.

Our burgeoning golden age of medicine has delivered many spectacular successes. mRNA vaccine technology prevented millions of deaths during the COVID-19 pandemic and could deliver effective new therapies for HIV, Ebola, and influenza. Cancer deaths have fallen by more than a quarter. Price controls on drugs will halt that progress.