



55 Conservative Groups & Activists Oppose HHS Advanced Notice of Proposed Rule Making: International Pricing Index Model for Medicare Part B Drugs [CMS-5528]

27 November, 2018

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

Dear Secretary Azar:

We write in opposition to the administration’s Advanced Notice of Proposed Rule Making (ANPRM) to create an “International Pricing Index” (IPI) payment model 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 the system of healthcare 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,



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President, Americans for Tax Reform

Dick Patten
President, American Business Defense Council

James L. Martin
Founder/Chairman, 60 Plus Association

Phil Kerpen
President, American Commitment

Saulius “Saul” Anuzis
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