



Say No to Most Favored Nation Model, International Pricing Index

January 29, 2024

Dear HELP Committee Members & Staff:

I am writing on behalf of the Trade Alliance to Promote Prosperity (TAPP), a coalition of American companies, workers, trade associations, opinion leaders, lawmakers, and policymakers committed to building America's economy by creating jobs through strategic trade partnerships that will drive growth for decades to come.

On February 8, Bernie Sanders will confront two drug company CEOs as they testify in front of the Senate HELP Committee. At the hearing, we can expect Sanders and his allies in Congress to push for the adoption of drug policies such as the Most Favored Nation model (MFN) and an international pricing index (IPI). Such proposals would simply import foreign price controls into America's healthcare system, harming innovation and the development of new medicines.

TAPP has written extensively on the problems with importing socialist price controls, which is effectively what it would mean to impose the MFN and an IPI. This is not the first time these policies and similar proposals have reared their heads in Congress with the purported aim of lowering prescription drug prices. The problem is, such proposals are shortsighted and ultimately lead to lower quality, fewer options, and diminished health outcomes.

The theory is that by passing legislation like the MFN and IPI, we could save hundreds of billions of dollars over the coming decade. On its face, it sounds like a great idea to have lower drug prices such as they have in other countries. The problem is the governments in those nations employ a heavy-handed, socialist system of drug pricing and a range of arbitrary and market-distorting price-control policies to set the cost of medicines.

Like those socialist drug-pricing systems, the MFN and an IPI offer a false promise to American patients. Price controls are proven to be harmful to patients, doctors, and innovators across the world. Inflicting the MFN and an IPI on the domestic healthcare industry would harm Americans in need of medical care, as access to both doctors and medicines would be curtailed.

Currently, the United States is a world leader in R&D because the system of healthcare rejects price controls and encourages innovation. As you know, most new medicines are developed and launched in America. Our innovative environment is enormously beneficial to the long-term well-being of Americans.

Consequently, pharmaceutical companies devote billions of dollars each year to developing new, lifesaving cures. Price controls from the MFN and an IPI would deprive them of the money needed to fund their research and development efforts.

Imposing price controls on American manufacturers would stifle medical innovation, kill jobs, and have a particularly negative effect on the health of our country's most at-risk patients. Medical innovation was especially important during the pandemic, and price controls would pull the plug on the resources needed to develop such life-saving medicines. Americans would be put at risk now and long into the future. Indeed, it is impossible to know just how many Americans would die as a result of curtailed innovation.



In countries where price-setting policies like the MFN and IPI are in place, patients literally die waiting for access to cures that are readily available in America.

The investment required for research and development of medicines leads to more high-paying jobs and a stronger economy. Importing price controls would undermine this system and hinder American innovators' ability to compete on an international scale.

Small businesses would be decimated if the MFN and IPI schemes were implemented. Price controls could eliminate more than \$700 billion in investments in small pharmaceutical companies alone. The downstream effects of this lack of investment in small pharmaceutical companies would stop many potentially lifesaving medicines from ever reaching the market and eliminate more than 200,000 jobs across the country.

The MFN and IPI schemes would threaten high-paying manufacturing jobs across the country at a time when we are still emerging from the economic wreckage of the pandemic. According to a 2017 study by TEconomy Partners, pharmaceutical manufacturers—large and small—invest \$100 billion in the U.S. economy every year, directly supporting 800,000 jobs including jobs in every state. These jobs are high-paying—the average compensation is \$126,000—more than double the average wage in the United States. When accounting for indirect and induced jobs, medical innovation supports more than four million jobs.

We need scientists to continue researching and developing breakthrough medicines. Sacrificing future innovation to achieve some short-term financial savings would ultimately hurt patients. The concept of “paying it forward” could hardly be more compelling than in the case of discovering life-saving therapies and treatments for our most pressing healthcare challenges. Indeed, the selfishness implicit in injecting socialist price controls into the pharmaceutical market is astounding.

This is why we are calling on you to reject the MFN and IPI schemes and instead pursue policies that bolster American medical innovation and provide incentives for our scientists and researchers to continue providing extraordinary, cutting-edge therapies and cures to the benefit of all Americans.

Thank you,

Kent Kaiser, Ph.D.
Executive Director
Trade Alliance to Promote Prosperity