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United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

January 20, 2022

Dear Colleague,

Over the course of the past year, Americans have faced a range of pressing challenges. From skyrocketing inflation and workforce shortages to rising crime and COVID-19 testing supply strains, this growing list of urgent issues demands consensus-driven policy solutions. Unfortunately, in spite of these struggles, the Biden Administration and Congressional Democratic leadership appear to have chosen to move forward on a reckless tax-and-spending bill that risks exacerbating the problems at hand and creating new ones.

We are deeply concerned with the legislation's proposed price control mandates for prescription drugs. As a number of independent analyses have indicated, such bureaucratic government-run price-setting schemes pose a credible threat to the creation of new medical treatments. They also jeopardize our efforts to combat inflation, mitigate workforce disruptions, enhance access to care, and maintain our global competitiveness.

Under the unprecedented and constitutionally dubious system of bureaucratic drug price controls included in the Build Back Better Act (BBBA), Americans would see fewer new treatments and vaccines, greater inflation pressures, and reductions in health care quality and access for years to come. The bill would substantially undermine incentives for biomedical innovation, as unaccountable federal officials would compel a growing number of manufacturers each year to partake in a mandatory price-setting program, with non-compliance punished by an impossibly steep penalty of up to 95 percent on gross drug sales across all markets. Private-sector pricing practices would also come under federal control, moving us closer to a government-run health care system.

Basic legal protections and safeguards, meanwhile, would have no place in the BBBA plan, as the bill expressly and permanently bans judicial and administrative review of virtually every aspect of the draconian new price control regimes.

According to researchers from the University of Chicago, these problematic policies would slash projected biomedical research and development funding by more than \$660 billion in the next decades, resulting in 135 fewer new drug approvals and a potential loss of more than 331 million life years, roughly 31 times the toll inflicted by the pandemic in the U.S., as of last November. As innovators work to produce and enhance vaccines and therapies to curb the incidence and

effects of COVID-19, these disincentives for biomedical discovery and development would prove particularly devastating.

Imagine the world today without COVID vaccines or treatments, and imagine a world with a weak or nonexistent pipeline for combating conditions like Alzheimer's, sickle cell disease, or cancer. These policy proposals imperil our hopes for the lifesaving cures and life-enhancing therapies of tomorrow.

BBBA's government drug pricing mandates would also put access to high-quality health care at risk by burying small businesses in burdensome bureaucratic demands and instituting aggressive payment cuts for frontline health care providers. An analysis by the nonpartisan American Action Forum found that the Biden Administration finalized more than \$200 billion in new regulatory costs in 2021, imposing a staggering 131.2 million new paperwork hours on job creators. The tax-and-spending proposal currently under consideration would double down on this concerning trend toward over-regulation and advance a series of sweeping new government mandates for stakeholders across the health care system.

For health care providers, the bill's price-setting program would have an even more onerous economic impact, which, according to health care experts at Avalere, would amount to a roughly 40 percent reduction in add-on payments for the providers who furnish the medications most likely to be targeted. The doctors' office setting would see particularly steep cuts, potentially accelerating health system consolidation and independent practice closures, with stark access implications for patients across the nation.

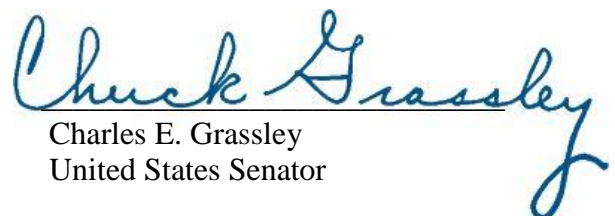
In short, from lifesaving treatments to provider access, BBBA represents an unwarranted step backwards for health care quality and sustainability, and it poses a grave threat to our global competitiveness. As the Chinese Communist Party and other rivals abroad look to leverage life sciences innovation to seize market dominance and strengthen their defense capabilities, our national security and international leadership demand a more responsible path forward.

We stand ready to work with the administration and our colleagues in both chambers and on both sides of the aisle to develop policies to help address the myriad challenges facing Americans, including health care access, affordability, and innovation. We must not, however, enable the unproductive and innovation-killing government price control mandates included in BBBA to become law. They would serve only to expand federal control over health care and to undermine Americans' ability to compete globally, at the expense of the real and pressing health care needs facing our country.

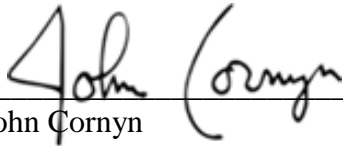
Sincerely,



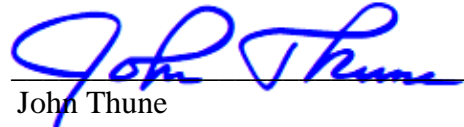
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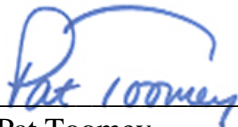
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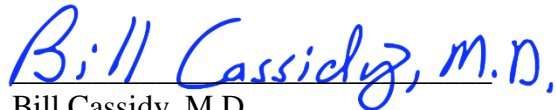
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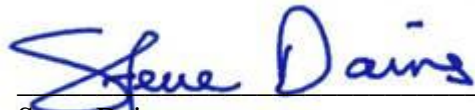
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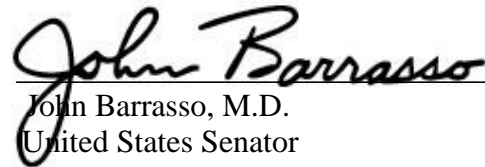
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