

# Kent Kaiser: Trump administration's drug pricing plan is wrong for Wisconsin and wrong for America

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The Trump Administration has been toying with the idea of implementing an international pricing index (IPI) model for Medicare Part B drugs and biologicals. The ostensible goal of the model would be to lower drug prices. This supposedly would be accomplished by pegging the price that the Medicare system pays for drugs to a level closer to the prices paid in a collection of other countries.

The IPI model represents bad public policy and poor negotiation: It abdicates all responsibility for market negotiation in favor of adopting the vagaries of foreign countries' economic and pricing policies. The problem is that the comparison countries have warped prescription drug markets with socialist price controls.

In the State of the Union Address, President Trump said, "We will never let socialism destroy American healthcare." Yet the IPI model would be a step in that exact direction.

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If implemented, the IPI model would make sweeping changes to the drug and biological supply chain and would have implications for drug and biological manufacturers, distributors, group purchasing organizations, hospitals, and physician clinics, among others. The negative consequences on Wisconsin of imposing the IPI model outweigh the benefits.

The IPI model would be imposed on a large share of physicians and hospitals

nationwide. By extension, these providers' patients would be forced to adhere to the price-controlled model, too. This would reduce reimbursement for these hospitals and physicians' practices which, could force many of them to close and consolidate with larger health systems thus making healthcare less accessible. This could be especially bad for rural Wisconsinites who are already feeling the pain of losing access to medical care.

In short, the IPI model would restrict patient access to lifesaving drugs. Of the 27 drugs the Trump administration itself examined, only 41 percent were universally available in 16 comparison countries. Ninety-five percent of new cancer drugs are available in the United States; only 55 percent in the comparison countries. The average lag between the time cancer drugs are available in the United States compared to elsewhere is 17 months.

It should be obvious to any observer of global health care policy that socialist price controls are harmful to patients and would be harmful to the American economy.

Why would Americans, especially Wisconsinites who are accustomed to receiving excellent healthcare, want to be like those foreign countries where people suffer without proper medications and die early because they lack lifesaving medicines?

The best way to lower consumer drug prices is to encourage a competitive marketplace, not to impose more government intervention in drug pricing. Improving approval processes at the FDA would enable drugs to enter the marketplace faster.

The Badger State has more than 4,000 companies in the biohealth industry, providing more than 107,600 jobs and directly contributing more than \$27 billion to the state's economy, according to a report conducted by accounting firm Baker Tilly.

Of nearly 7,000 medicines in development globally, more than half are being developed in the United States, according to the Adis R&D Insight Database—many in Wisconsin. In 2016 alone, the American biopharmaceutical industry invested an estimated \$90 billion in R&D, according to Research!America. The American biopharmaceutical industry invests, on average, more than six times more in R&D as a percentage of sales than other manufacturing industries, according to NDP Analytics.

The Trump Administration's IPI plan would disproportionately target treatments for complex conditions like cancer and rheumatoid arthritis—treatments that are among the most important to medical research. The IPI model's implications for revenue and R&D would create a disincentive both to develop new drugs for patients with serious diseases and to develop competing drugs, which could put hundreds or even thousands of Wisconsinites out of work.

The Trump Administration's drug pricing plan is bad for America and especially bad for leading biohealth states like Wisconsin, and it should be rejected out of hand.

*-Kent Kaiser, Ph.D., is a senior advisor for the [Trade Alliance to Promote Prosperity](#).*