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Shouldn’t the US Gvt do more to regulate high drug prices ?

The United States leads the world in innovative drug development, benefiting patients and caregivers around the globe by ensuring access to new cures and treatments for a range of diseases.

This success is made possible by a number of factors: Outstanding scientists, savvy entrepreneurs and business leaders, a committed investment community and world-class universities and research institutions. But that alone is not enough to succeed in getting new drugs across the finish line—and it is not enough to sustain long-term medical innovation. Many other countries have similar capabilities. Rather what makes the United States stand out is its commitment to a competitive, free market system for drugs that doesn’t impose artificial limitations on successful innovations.

Biopharmaceutical innovation needs to able to attract the enormous amounts of private capital required to fund these challenging and incredibly risky endeavors. This in turn depends on a public policy environment that supports innovation and incentivizes such investment. That includes:

- continued advancement of scientific understanding;
- strong intellectual property (IP) rights and a reliable system for IP transfer, licensing, and collaboration;
- an efficient and predictable regulatory review process; and
- transparent payment systems that reward innovation and encourage free-market competition.

Setbacks in any of these areas can cause the entire innovation ecosystem to falter. The challenge can be particularly acute when it comes to capital formation for small companies, which are the vast majority of biopharmaceutical companies and account for 70 percent of the industry’s future clinical pipeline.

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Private investment can flow to, and shift among, many different sectors, and investors will flee areas like biotechnology when they think policy decisions could adversely impact an already risky investment. Remember that the vast majority of drug research companies are not yet profitable, and most of these companies are relying on private investors to fund research into new innovative cures and therapies.

It's also clear that, throughout history, advances in science and drug development in the United States have increased when Congress passed legislation that supports, promotes, and incentivizes the innovation being conducted in the lab.

These include policies like the Orphan Drug Act, the Hatch/Waxman Act, the Prescription Drug User Fee Act, the Food and Drug Administration Modernization Act, the Biologics Price Competition and Innovation Act, the creation of the Small Business Innovation Research program, and the Jumpstart Our Business Startups Act, among others.

On the flip side of that, short-sighted policy proposals and heated campaign rhetoric can have a chilling effect on medical innovation and the ability of the industry to attract the investment needed to fund clinical trials and other areas of drug development. The reality is that short-sighted laws, regulations and insurance policies can scare away the private investment that is needed to fund biopharmaceutical research and to deliver new cures to patients in need.

Without doubt, government-imposed price controls in the largest market in the world would seriously harm investment in the next generation of medical breakthroughs. In fact, the economists Joseph Golec and John Vernon estimated that if the United States had adopted European-style price controls on pharmaceutical drugs from 1986 to 2004, it would have produced 117 fewer new medicine compounds for the world.[i]

Yet despite this evidence, there is a long-running debate in Washington, D.C., and in state capitols across the country, about whether governments should directly intervene to regulate or set prices for drugs. The following conversation simulates this debate and provides the facts you need to know.