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## Protect Drug Innovation Act

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In August, a Reuters analysis found the median price of 13 novel drugs stood at \$257,000—a record high<sup>1</sup> For context, in 2021, the media price of a sample of 30 novel drugs stood at \$180,000.<sup>2</sup> Unfortunately, the Inflation Reduction Act’s (IRA) price control provisions will likely exacerbate this problem. CBO predicted the IRA’s drug price controls will result in increased launch prices that will disproportionately affect drugs in the Medicaid program.<sup>3</sup>

While messaged as the ability to “negotiate,” the IRA, in reality, gives the Secretary the ability to dictate prices by establishing a “maximum fair price” on drugs through the Medicare program. Should a drug company fail to comply with the price cap, it would face massive taxes. The IRA also requires drug companies to pay rebates if they raise their prices faster than inflation (for drugs sold to public programs and on the private market) and caps the price of certain out-of-pocket costs for Medicare Part D beneficiaries.<sup>4</sup>

By adopting price controls, the IRA compromises pharmaceutical development and biotechnological innovation, directly threatening the lives and livelihoods of Americans. In response to these government dictated price controls, pharmaceutical companies will likely be forced to cut their investment in research and development and may be unable to properly respond to market demands resulting in drug shortages. A University of Chicago study estimates drug price controls will result in 135 fewer new drugs approved between now and 2039 and an 18.5% reduction in R&D investment.<sup>5</sup> Similarly, CBO estimates price controls will lead to 15 fewer new drugs over the next 30 years.<sup>6</sup>

To prevent the IRA from wreaking havoc on American drug innovation, Congress should pass Senator Mike Lee’s Protect Drug Innovation Act, which repeals these barriers to pharmaceutical competition and innovation.

### Bill Summary:

- Repeals the “Drug Price Negotiation Program” that requires the Secretary to decide a “maximum fair price”
- Repeals prescription drug inflation rebate requirements
- Eliminates the Medicare Part D benefit redesign that caps out-of-pocket costs

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<sup>1</sup> “Newly launched U.S. drugs head toward record-high prices in 2022,” [Reuters](#), August 16, 2022.

<sup>2</sup> “New Drug Prices Soar to \$180,000 a Year on 20% Annual Inflation,” [Bloomberg](#), June 7, 2022.

<sup>3</sup> “Additional Information About Prescription Drug Legislation,” [Congressional Budget Office](#), August 4, 2022.

<sup>4</sup> CBO estimates this will cost \$30 billion.

<sup>5</sup> “Issue Brief: The Impact Of HR 5376 On Biopharmaceutical Innovation And Patient Health,” [The University Of Chicago](#), November 29, 2021.

<sup>6</sup> “Estimated Budgetary Effects of Subtitle I of Reconciliation Recommendations for Prescription Drug Legislation,” [Congressional Budget Office](#), July 8, 2022.