4 Truths About State Government Price Setting

What You Should Know

Groups motivated by special interests (see NASHP) and backed by insurance companies (see AARP) are pushing states to adopt flawed price-setting schemes, often in the form of prescription drug affordability boards (PDABs). Establishing these boards wedges government-appointed bureaucrats between doctors and their patients while shortsightedly focusing on only one component of health care – all too curiously avoiding any review of or actions on abusive health insurance practices. This is not good news for patients.

The truth is that PDABs:

1. **Risk patients' access to medicines.** Prescription drug boards are government price setting schemes that let politicians set medicine prices with little accountability to, or input from, patients and their doctors. Under this scheme, an unelected board of bureaucrats evaluates the price of medicines and determines whether certain medicines and treatments are worth paying for, with the state coming between patients and the treatments their doctors prescribe.

2. **Reduce predictability for patients.** Too many unanswered questions remain. What happens if a drug becomes unobtainable at the board's arbitrarily set price, or board decisions result in reduced treatment options for patients? Or, what happens if middlemen reduce health insurance coverage for the non-price-controlled drugs that patients still need?

   And that's not all. Politically appointed boards like these take control away from patients and their doctors, leaving the access and affordability of life-saving medicines in the hands of each election cycle.

3. **Ignore the true reasons for high patient out-of-pocket costs.** These boards fail to address the root problems facing patients – abusive practices of pharmacy benefit managers (PBMs). Too often, health insurers and PBMs:
   - use harmful tactics, like accumulator adjustment and co-pay maximizer programs, to deny patients benefits of patient assistance programs.
   - use utilization management tools, like requiring prior authorization or failing first on other therapies, which can create significant barriers between patients and the medicines their doctors prescribe.
   - choose to pocket the tens of billions in rebates and discounts they receive on medicines for their own profit instead of sharing the savings with patients.

4. **Jeopardize development of new medicines.** We are already seeing the impacts of price-setting policies at the federal level (Inflation Reduction Act), and state boards could have similar effects:
   - Government price setting policies reduce biopharmaceutical companies' ability to invest in the post-approval research required to see if they can be used in new ways, especially in disease areas like cancer.
   - Analysis shows investments in research and development are already shifting away from small molecule medicines (pills and tablets) because of the IRA's "pill penalty," despite the benefit these types of medicines have for patients.
   - One manufacturer has made clear they are "not going to do certain [clinical] trials … because it is becoming financially not viable [due to the IRA]."

Patients deserve better. Instead of adopting flawed price-setting schemes, states should implement common-sense reforms to make insurance work like insurance to safeguard patient access and affordability for the medicines their doctors prescribe.