March 29, 2021

Arkansas House of Representatives
1 Capitol Mall, Fifth Floor
Little Rock, AR 72201

Dear Representative,

On behalf of the 14,027 members and supporters of the Council for Citizens Against Government Waste (CCAGW) in the state of Arkansas, I urge you to oppose HB 1709, a bill that would utilize price controls to determine the pricing for insulin in Arkansas, which has been referred to the House Public Health, Welfare, and Labor Committee and could be heard at any time.

HB 1709 requires a pharmaceutical manufacturer, or an affiliate, which sells or distributes insulin in Arkansas to sell the drug to entities at the lowest wholesale price for insulin, based on 340B pricing. The 340B program is a federal pharmaceutical price control implemented in 1992 that provides significantly reduced outpatient drugs to certain covered entities designated by Congress. These entities, which serve low-income, indigent people with no health insurance, include federally qualified health centers and disproportionate share hospitals. The Arkansas Attorney General is charged with investigating any potential violations and bring suit against the offender, should the legislation become law.

CCAGW has long opposed using price controls to lower drug prices. Price controls always distort markets, create shortages, and ultimately do not solve the problem they were intended to correct. Countries around the world regulate pharmaceutical prices by various means as part of their socialized healthcare systems and often ration care, particularly access to new innovative products to their citizens, to keep costs down. As a result of using price controls, their pharmaceutical research and development has been greatly diminished. In 1986, European pharmaceutical companies led the U.S. in pharmaceutical research by 24 percent, but by 2015, they trailed by 40 percent due to their implementation of price controls. The United States is now the world leader in biopharmaceutical research and development because by-in-large a free-market still prevails.

A March 2019 Galen Institute paper by Doug Badger, “Examination of International Drug Pricing Policies in Selected Countries Shows Prevalent Government Control over Pricing and Restrictions on Access,” demonstrated that Americans receive access to 89 percent of innovative drugs, including 96 percent of new cancer drugs. But in countries like France, Germany, and Japan, citizens only have access to 48 percent, 62 percent, and 50 percent of new drugs, and 66 percent, 73 percent, and 54 percent of new cancer drugs respectively.

Instituting price controls on patented products raises serious Constitutional issues, as does using federally regulated 340B pricing for the sale of pharmaceuticals in a state.
The better way to lower drug costs is for legislators to contact Arkansas’ federal representatives and encourage them to create an environment that encourages more “me too” drugs that will foster competition among branded pharmaceuticals that are in the same class and still under patent and for the Food and Drug Administration to speed up approvals for generic and brand-name drugs.

The U.S. already utilizes pharmaceutical price controls in Medicaid, the VA, the 340B program, and the Medicare Part D coverage gap. These price controls have distorted domestic pharmaceutical market and driven up costs, not lowered them. States should not be adding more price controls to pharmaceuticals that will ultimately cause an adverse impact on U.S. biopharmaceutical research and development. This would be particularly harmful just as the U.S. is leading the world on new COVID-19 drug research and development and essential cures and treatments for many other diseases. I ask that you oppose HB 1709.

Sincerely,

Thomas Schatz