# Katy Taylor AC

**Chen of the Nation observes**

Runaway drug prices will cost Americans about $328 billion this year, about $50 billion straight from consumers’ pockets, while drug makers enjoy record profits. As individual patients struggle with medical bankruptcy or get forced to choose between rent and their next insulin shot, the drug cost crisis also feeds into wider societal harms, including the epidemic of medical bankruptcy and even opioid abuse.

**A crisis exists in the status quo. A 2018 report from the US Committee on Homeland Security** indicates that drug prices from 2012 to 2017, increased at ten times the rate of inflation. **Leanord of US News** empirically finds that even the costs of generic medications are rising by 448%, which is problematic as **Winegarden of Forbes** reports that 90% of all drugs dispensed in the U.S. were generic medicines.

This trend must be reversed, or else **Sanders of the Huffington Post** finds in 2015 that drug costs will on average rise by 10 percent per year for the next 10 years.

**We Affirm Resolved: The United States Federal Government should impose price controls on the pharmaceuticals industry**

**Lupkin of Kaiser Health** notes that the “most important factor” that drives prescription drug prices higher in the United States than anywhere else in the world is the existence of government-protected “monopoly” rights for drug manufacturers. **Komendant of the Association for Affordable Medicine** contextualizes that when new drugs hit the market, they have high launch prices with year-over-year increases due to abuse of the monopolies created by the patent system. Problematically, **Konca in 2016** finds that the pharmaceutical industry is becoming more monopolized day by day. This is because **Deangilis of the NIH** finds that without any regulation, the government allows them to operate at massive profit margins, handing these corporations any tools they need to crowd out competition.

Price Controls get rid of three monopolies’ advantages.

### First, is Pay to Delay

**Fox of Harvard ’17** explains that drug monopolies currently prevent competition through pay for delay agreements, in which a name brand drug company pays generic companies to not launch a version of a drug, allowing them to raise drug costs by 3.5 billion dollars a year. However, price controls combat these, as **Bordon of the University of Oslo ’05** explains that price controls lower barriers of entry for generic drugs and reduce the market power of monopolies, resulting in an increase in the market shares of generic drugs, which ultimately drives down drug prices, as **Morten from the Journal of Health ‘06** finds that implementing price controls could decrease the market share of monopolies by 72%.

### Second, Mergers and Acquisitions

**Boseley of the Gaurdian[[1]](#footnote-1)** finds that Big Pharmaceutical companies have increasingly gained new drugs by merging and acquiring smaller biotech firms with promising compounds on their books. As a result **Angell of the Washington Post[[2]](#footnote-2)** finds thatlike big fish swallowing little fish, larger companies swallow smaller companies and resell their drugs to higher unaffordable prices. The **Institute for Health 16** concludes that the consolidation of market power achieved through pharmaceutical giants’ $1.7 trillion investment in mergers has allowed drug companies to push through unsustainable price increases without fear of being undercut by competition. Mergers and Acquisitions have steadily increased, as **BPDM** reports a 10% increase 2 years ago and a 90% increase compared to 3 years ago.

Price Controls Solve in two ways

#### Checking back current monopolies

**Volesky of Global Health[[3]](#footnote-3)** finds that price controls will protect the United States from these companies’ high prices and prevent them from abusively increase prices

#### Preventing Further M&As

**Stiebale of Harvard Business Review[[4]](#footnote-4)** explains that even when they are not approved, Mergers and Acquisitions are extremely costly. In fact, **Investopedia[[5]](#footnote-5)** finds that the loss of revenue momentum is the reason why mergers and acquisitions fail. Thankfully, **De Vries 09[[6]](#footnote-6)** quantifies in the Journal of Health Affairs that implementing a US specific Drug price control would force revenues to drop by 20.3%.

### Ultimately, The Impact is Affordability

**Healthcare Financial ’17** finds that half of all patients do not take their medications as prescribed and more than 20 percent of new prescriptions go unfilled-and the main reason is cost. As a result, the lack of adherence to these medications causes approximately 125,000 deaths and at least 10 percent of hospitalizations each year. However, **Prada of NIH** empirically finds that direct price controls reduce costs by 43%. This reduction in price has worked empirically, as **Sarnak of The Commonwealth Fund** reports that the only developed countries where patients were not likely to report cost barriers to prescription drugs were countries that have implemented price controls.

To end the existing crisis, affirm.

1. Sarah Boseley, 1-26-2016, "Big Pharma’s worst nightmare," Guardian, https://www.theguardian.com/society/2016/jan/26/big-pharmas-worst-nightmare [↑](#footnote-ref-1)
2. Marcia Angell, 9-25-2015, "Why do drug companies charge so much? Because they can.," Washington Post, https://www.washingtonpost.com/opinions/why-do-drug-companies-charge-so-much-because-they-can/2015/09/25/967d3df4-6266-11e5-b38e-06883aacba64\_story.html [↑](#footnote-ref-2)
3. Balkhi B, Seoane-Vazquez E, Rodriguez-Monguio R., xx-xx-xxxx, "Merger mania: mergers and acquisitions in the generic drug sector from 1995 to 2016," PubMed Central (PMC), https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5567637/

   [↑](#footnote-ref-3)
4. Justus Haucapjoel Stiebale, 8-3-2016, "Research: Innovation Suffers When Drug Companies Merge," Harvard Business Review, https://hbr.org/2016/08/research-innovation-suffers-when-drug-companies-merge [↑](#footnote-ref-4)
5. Investopedia Staff, 10-23-2018, "Mergers and Acquisitions," Investopedia, <https://www.investopedia.com/terms/m/mergersandacquisitions.asp>

   More insight into the failure of mergers is found in a highly acclaimed study from McKinsey, a global consultancy. The study concludes that companies often focus too intently on cutting costs following mergers, while revenues, and ultimately, profits, suffer. Merging companies can focus on integration and cost-cutting so much that they neglect day-to-day business, thereby prompting nervous customers to flee**. This loss of revenue momentum is one reason so many mergers fail** to create value for shareholders. [↑](#footnote-ref-5)
6. [Health Affairs 28, no. 1 (2009): w125–w137 (published online 16 December 2008; 10.1377/hlthaff.28.1.w125)] by Neeraj Sood, Han de Vries, Italo Gutierrez, Darius N. Lakdawalla, and Dana P. Goldman

   In this paper we analyzed trends in pharmaceutical regulation and their impact on revenues. Several important patterns emerge from our analysis. First, we found that a majority of regulations greatly reduce pharmaceutical revenues, with **direct price controls having the biggest impact on revenues**. Second, we found that most countries that adopted new regulations already had some regulations in place for controlling costs. We found that such incremental regulation has a smaller impact on further controlling revenues. However, the results also suggest that introducing new regulations such as price controls in a largely unregulated market, such as the United States, could greatly reduce pharmaceutical revenues. For example**, if the United States implemented price controls and negotiations similar to those found in other developed countries, then U.S. revenues would fall by as much as 20.3 percent**. Finally, the results also show that the impact of regulations on revenues increases over time. Whether governments should regulate pharmaceutical markets is a contentious and much-debated policy question. Our results show that introducing price controls and other regulations in largely unregulated markets will greatly reduce costs today [↑](#footnote-ref-6)