

We Negate Resolved: The United States federal government should impose price controls on the pharmaceutical industry.

Our Sole Argument against Price Controls is gutting innovation.

Currently, billions of dollars of investment fuel the pharma industry in innovating meaningful drugs. **The Balance in 2018** finds of over 100 billion dollars the US invests towards biomedical research, the private sector is the largest contributor with 60% of all investments.

However the pharmaceutical industry in recent years has shifted from big pharmaceutical innovation towards small pharma that is much more productive.

BioTrend in 2018 finds pharma companies are increasingly outsourcing their research and development to smaller companies in order to expedite the process of research and development, otherwise known as R&D, and cut costs. Indeed, **CNBC in 2018** reports startups are much more nimble and conduct more research faster compared to larger firms, which is why they account for 63% of all new drugs in the last 5 years. They conclude investment in biotech companies will pass 40 billion dollars by 2026. This is why **The DCF in 2017** quantifies small bio-med companies relying on huge amounts of capital comprise over 70% of the pharmaceutical clinical pipeline.

This innovation has been extremely successful as **Easton of Statnews in 2018** reports for last few decades, the industry has effectively invented life saving medicines. For example, Cardiovascular mortality in the U.S. has declined over 50 percent, the death rate from AIDS has dweclined from about 100 percent to near 0 percent and Hepatitis C is now curable.

Overall, the **PI in 2017** finds that the pharmaceutical industry has created hundreds of new medications for cancer and numerous other diseases, creating a bright future ahead.

However, implementing price controls would reduce crucial research and development investment in new drugs for 2 reasons.

First is by reducing internal reinvestment.

Implementing price controls significantly diminishes pharmaceutical profits and in turn the amount of money they invest into R&D. **Health Affairs in 2009** finds imposing price regulations onto the American free market would decrease pharmaceutical revenues by over 20.3%. Reducing the overall profits of pharma companies also reduces funds going back into R&D. Overall, Bos of Millman Briefs in 2009 concludes OECD countries with price controls have lost 18 to 27 billion dollars of pharmaceutical revenue, which has reduced R&D spending by 5 to 8 billion dollars.

Second is by reducing the incentive to invest.

Shepherd of Emory University in 2017 writes the development of drugs is extremely risky, as only 1 in 50 drugs make any of profit, with the other 49 on net losing revenue. To compensate for this huge risk, drug companies guarantee themselves a high payoff.

Gleason of Forbes in 2017 finds in order to cover up the high risk of production, pharmaceutical companies ensure a high return on investments by setting high initial prices to guarantee the profit covers all initial costs. However price controls would keep the starting prices low, meaning drug makers and investors cannot recoup capital spent on development.

Shepherd concludes if the few successful drugs we have fail to gain immense profit and cover developmental costs, investment into R&D will greatly slow, as companies would not be willing to spend billions on R&D if they cannot recoup the cost of development.

Overall, **Abbott and Vernon** conclude finding that price controls greatly decrease innovation, as decreasing prices by 40 to 50% decreases R&D projects by 30 to 60%.

The impact to cutting R&D is trading off with innovation.

By decreasing research and development, pharmaceutical companies would shift away resources from important diseases and put money towards less risky projects. **Easton of Statnews in 2018** quantifies that decreasing profits by just 20% would cause Pharma companies to de-prioritize complex diseases, such as Dementia and Diabetes, in favor of less risky diseases.

He concludes finding that this tradeoff would deprive the large US patient populations of these diseases, of effective medication that would greatly improve their quality of life. Indeed **the NIH** finds 16 million americans suffer from diabetes and 4 million americans suffer from dementia alone. Thus, any reduction in R&D would affect millions of people with these complex disorders.

Thus, we negate.