***We support price controls on the pharmaceutical industry on the basis of two contentions.***

**Our First Contention is Affordability.**

*Right now, pharmaceutical companies game the system to inflate prices*

According to Dean Baker16 of the New York Times, pharmaceutical companies can patent new medicines, thus becoming the sole producer of their drug and holding the power to raise the price through the roof with no pushback.

*Consequently, drug prices have skyrocketed.*

The Center for Medicare and Medicaid Services18 finds that drug prices will increase by 6 percent each year for the next decade. Indeed, the Department of Labor18 quantifies that out of pocket drug costs will rise to $67 billion by 2025.

Generic alternatives can’t solve this issue, as Ameet Sarpatwari15 of Harvard University concludes that due to abusive tactics by pharmaceutical companies, the generic manufacturing industry is ripe with monopolization. Thus, Leigh Purvis15 of the AARP reports that “the rate of generic price declines has been slowing” and that the era of cheap generics is coming to an end.

Jessica Wapner17 of Newsweek writes that the government currently has no ability to negotiate or limit drug prices, meaning it is unlikely to succeed in lowering them.

*Fortunately, a price control would put a direct cap on the price of drugs.*

This leads Angela Acosta14 of Cochrane Library to conclude that price controls would, on average, decrease drug prices by 39%.

**The impact is increasing drug adherence.**

The National Bureau of Economic Research16 concludes that a four-dollar increase in the amount consumers pay for medication decreases adherence to prescriptions by 6.2 percent.

This is devastating, as Jane Brody17 of the New York Times concludes that 125 thousand Americans die each year due to skipped medication, which can only be solved through regulating prices.

**Our Second Contention is Value-Based Pricing.**

Currently the United States federal government is planning to implement value-based pricing - a process that would reward the drugs that are needed most by consumers. A value-based process differs from a simple price cap because it does not place the same generic ceiling on all drugs: instead more groundbreaking drugs get less price regulation, while generics that people require face more regulation.

Political will for value-based pricing is high, as Trump recently included the policy in his new drug-pricing plan, and the Wall Street Journal18 reports that almost every country with government regulation of pharmaceutical prices uses value-based pricing agreements.

This policy is likely to be implemented because, instead of hurting the pharmaceutical industry, it would simply redirect attention in a more beneficial direction.

*Right now, the pharmaceutical industry is facing an innovation crisis.*

Matthew Herper18 of Forbes confirms that instead of taking the financial risk of producing truly innovative drugs, companies are simply rebranding drugs and jacking up their prices to make a profit. Joshua Cohen of Forbes reports in 2018 that while spending on rare diseases has stagnated, repetitive, “me-too” drugs have doubled since 2005.

*Fortunately, this problem would be solved with value-based pricing*.

Columbia University18 concludes that, because the future profits of pharmaceutical companies are dependent on the development of drugs, companies would not de-emphasize R&D even under a dramatic reduction in revenue. Moreover, Forbes18 indicates that a value-based system would likely *increase* revenue for pharma companies because "the bonus for good outcomes could exceed the penalty for bad ones,” resulting in a win-win situation where companies retain their profits and consumers access cheap drugs.

Joseph Stiglitz18 of the Health Affairs Journal concludes that because the government would determine the price of drugs based on their benefit to the public, price controls would decrease the incentive for inferior repeat drugs, and increase investment into more fundamental innovations that directly benefit consumers. Crucially, Frank Lichtenberg05 of Columbia University reports that new chemical entities, where no similar products have been launched anywhere before, accounted for 40 percent of the increase in life expectancy over a 15 year period.

**Thus, we affirm.**