Affirmative

We affirm the resolution, Resolved: The United States federal government should impose price controls on the Pharmaceutical industry

Observation One regards the definition of price controls.

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The regulation of the ex-manufacturer's **price may be direct or indirect. Measures for the direct fixing of prices include negotiations, price setting, international price comparisons, price cuts or freezes, and price/volume trade-offs.** Other measures have taken a more **indirect approach[es] to regulating pharmaceutical prices [include]** by **regulating profits, calculating "cost-effective" prices or setting maximum reimbursement prices.**

What this means is that price controls are far more complex than just a price cap. These multidimensional price controls have been used to great success in other countries.

Contention One is The Budget

Subpoint A is The Facts

Rising pharmaceutical expenditures put substantial pressures on public healthcare funds, causing a host of problems.

Bennett, Sara, Jonathan D. **Quick**, **and** German **Velasquez**. "Public-private roles in the pharmaceutical sector: Implications for equitable access and racional drug use." **1997**. http://apps.who.int/medicinedocs/en/d/Jwhozip27e/6.3.html

"**Americans spend a lot on prescription drugs, more per capita than any other country by far. Pharmaceuticals represent a significant—and growing—share of the country's health spending, both because new, and often costly, drugs are emerging from the lab and because prices of many drugs are rising much faster than prices of other goods and services**. The Center for Medicare and Medicaid Services (CMS) estimates prescription drug spending will grow an average of 6.3% per year over the 2016-2025 period. Highly publicized cases of very expensive new drugs as well as sharp increases in the price of some older drugs has drawn widespread attention—and criticism—from the public, members of Congress and President Donald Trump. **Because the U.S. government pays more than 40% of the retail prescription drug tab, rising spending on drugs is putting pressure on the federal budget. It also contributes to rising health insurance premiums."**

Current government programs and insurance companies are unable to negotiate prices

Chris **Lo**, Pharmaceutical Technology, "Cost control: drug pricing policies around the world", 12 Feb **2018**, https://www.pharmaceuticaltechnology.com/features/cost-control-drug-pricing-policies-around-world/

"The US system of pharma reimbursement is multi-faceted and somewhat opaque, and often results in different prices for different buyers. **The US doesn't directly regulate drug prices, meaning that drug companies can set whatever sticker price they deem fit**, as Gilead did in 2013 when it set a price of $84,000 for a 12-week course of its breakthrough hepatitis treatment Sovaldi, kicking off a sustained backlash on drug pricing that rages on today. Medicaid, the federal programme to cover the medical costs of low-income individuals, receives a mandated discount, but **Medicare** – which provides insurance for Americans over 65 and **is the pharma industry's biggest single customer, spending $137bn on prescription drugs in 2015 – is not allowed to negotiate at the federal level**. Insurance companies that have been contracted to administer Medicare are able to negotiate, but with limitations such as having to cover all treatments across six broad drug categories. The private insurance system, which covers many Americans who are not on Medicare or Medicaid, is fragmented into hundreds of different employers and insurance providers, limiting their ability to negotiate steep discounts."

Health costs are compounded because patients who are unable to access the prescription drugs they need end up having other health complications, increasing medical spending.

Congressional **B**udget **O**ffice. "Offsetting Effects of Prescription Drug Use on Medicare's Spending for Medical Services". November **2012**. http://www.cbo.gov/sites/default/files/cbofiles/attachments/43741- MedicalOffsets-11-29-12.pdf

"**Prescription drugs affect people's health and their need for medical services.1 Therefore, policy changes that influence Medicare beneficiaries' use of prescription drugs**, such as those altering the cost-sharing structure of the Part D prescription drug benefit, **probably affect federal spending on their medical services**.2 After reviewing recent research, the Congressional Budget Office (CBO) estimates that **a 1 percent increase in the number of**

prescriptions filled by beneficiaries would cause Medicare's spending on medical services to fall by roughly one-fifth of 1 percent. That estimate, which applies only to policies that directly affect the quantity of prescriptions filled, represents a change in the agency's estimating methodology, which until now has not incorporated such an effect. Previously, when estimating the budgetary effects of legislation regarding prescription drugs, CBO found insufficient evidence of an "offsetting" effect of prescription drug use on spending for medical services. But recently, more analysis has been published that demonstrates a link between changes in prescription drug use and changes in the use of and spending for medical services. This report provides background information about that relationship; reviews the literature on the size of the offset for the Medicare population; and describes how CBO synthesized the recent research.."

Reducing the price of pharmaceuticals would transfer money away from pharmaceutical companies and back toward consumers.

Alfred **Engelberg**, Health Affairs, "How Government Policy Promotes High Drug Prices", Oct 29 **2015**, https://www.healthaffairs.org/do/10.1377/hblog20151029.051488/full/

"In 1984, I represented the Generic Pharmaceutical Industry Association in the negotiations with Congress and PhRMA which sought to strike a balance between the pharmaceutical industry's demand for greater incentives to invest in innovation and the public's need for low-cost medicines. The deal which was struck then has not withstood the test of time. The **monopolies** created by Hatch-Waxman and subsequent legislation providing 12 years of exclusivity for biologic drugs clearly **went too far in compensating the** pharmaceutical **industry at the public's expense**. For decades, Congress has simply been transferring wealth from ordinary citizens to the pharmaceutical industry. While claiming to believe in free market capitalism, it **has** created a web of monopolies which **cause[d] the United States to pay the world's highest prices** for drugs **even though it is the largest purchaser. The US would save $80 billion annually if its** per capita drug **costs were only 50 percent higher** ($750 per capita)**, rather than 100 percent higher, than those of other developed countries. Investing some of those savings to accelerate the development of cures f**or our most costly diseases **could** eventually **reduce health care costs** and justify a high price for life-saving medicines."

Subpoint B is the Impact

High drug prices force state tax increases and program cuts

Kimberly **Leonard**, 9-25, **15**, https://www.usnews.com/news/the-report/articles/2015/09/24/expensive-drugs-a-drag-on-consumers-and-government Budget Breakers

While consumers are feeling the pinch of the prices of drugs, federal and state governments are struggling as well. Public payers like Medicare, Medicaid, the Department of Veteran's Affairs and state correctional facilities have all had challenges in handling the cost of drugs. "**It's unsustainable,"** says Gregg Gonsalves, co-director of the Global Health Justice Partnership at Yale Law School. "Over time we are going to have to figure out a way through it and not put the burden on the taxpayer to funnel this back to the drug industry." **To make room in the budget for needed drugs, states will either have to raise taxes or sacrifice other programs**. "**If your costs spike in one area you have to figure out where to tamp those costs elsewhere**," says Mark Salo, executive director of the National Association of Medicaid Directors. "**That could mean less money for kids or seniors, or higher taxes or cutting from education**. None of those are ideal situations but that's what states struggle with."

Increases in state spending are massive

Kimberly **Leonard**, 9-25, **15**, https://www.usnews.com/news/the-report/articles/2015/09/24/expensive-drugs-a-drag-on-consumers-and-government Budget Breakers

At the time the letter was written, several states reported that their first quarter 2014 prescription drug spending was two or three times more than their entire spending in 2013, largely because of the hepatitis C cures. NATIONAL ACADEMY FOR STATE HEALTH POLICY , OCTOER 2016, States and the Rising Cost of Pharmaceuticals: A Call to Actionhttps://nashp.org/wp-content/uploads/2016/10/Rx-Paper.pdf NASHP convened a Pharmacy Costs Work Group of state leaders from governors' staffs, state legislatures, Medicaid, public employees health insurance programs, offices of attorneys general, state-based insurance exchanges, comptrollers' offices and corrections departments. "**Your state taxes are underwriting state institutions that provide health care**," Gonsalves says. "**Some of it goes toward paving the roads and making sure the buses are running, but part also goes to health care systems and to the drug companies themselves." States have a big stake in the rising costs of pharmaceuticals.** They have broad regulatory responsibilities for consumer protection and they are significant purchasers of pharmaceuticals for Medicaid, corrections, public employees, and higher education constituents. n 2013, the cost to insure 2.7 million public employees and their families was $31 billion, including employee contributions. Assuming public employer plans reflect those in the private sector, **drug spending makes up 19 percent of health plan costs.** Medicaid now covers 70 million beneficiaries, making it the largest insurer in the country, and it spent $27 billion in 2014 on outpatient drugs (state and federal share), including rebates and managed care plans. **After years of slow growth, spending on drugs increased 24.6 percent in states that expanded Medicaid and 14.1 percent in non-expansion state**s. Drug coverage now represents 6 percent3 of total Medicaid spending, and this does not include the cost of physician-administered drugs.4 Additionally, **states face significant costs for prescription drugs used to treat inmates in state corrections institutions, accounting for nearly $8 billion in spending 201**1. This figure did not include new, costly drugs such as new Hepatitis C medications States have worked hard to contain the cost of prescription medicines by employing strategies, summarized in an earlier National Academy for State Health Policy (NASHP) paper,6 such as negotiating supplemental rebates for Medicaid programs, implementing preferred drug lists (PDL) and utilizing pharmacy benefits managers and more.7 **Despite these efforts to maintain affordability, drug pricing and the unpredictability of price increases continues to vex state budgets**.

Depleted state budgets slow economic growth and ensure pension crisis

Donlan 17 [Thomas G. Donlan, editor at Barron's, "There's a Hole in State Pensions," Feb 11, 2017, http://www.barrons.com/articles/theres-a-hole-in-state-pensions-1486794298]

Turn away from the lurid deficit spectacles in Washington to examine the declining state of the states. In the eighth year of economic recovery, 23 states are still deep in the financial holes they dug for themselves. **Economic growth and tax-revenue growth are slowing.** Revenue growth from sales taxes—which are most sensitive to changing economic conditions—have slowed the most, according to

the National Association of State Budget Officers. The executive director of that organization explains and complains that online sales across state lines—more popular every year—are often not taxed. Every state has a different tax system, a different tax base, and a different political inclination toward taxes and spending. But **slow growth in tax revenue** in general **has placed many under serious fiscal pressure.** In a report on states' fiscal health issued on Feb. 2, the Pew Charitable Trusts said that after adjusting for inflation, 23 states still have lower tax revenue than they did before the most recent recession, and 18 states have lower employment than they did in 2007. Only 19 states have the kind of fiscal cushion—rainy-day funds and general fund surpluses—that they had in 2007. Analysts at Pew and other watchdog groups are warning that the **states are clearly not ready for another recession**. MultiState Associates, a consulting firm, estimates **31 state legislatures will have revenue shortfalls to deal with** before their next budgets go into effect. The Cavalry Isn't Coming The states may wish to call Washington for help, but Congress and the White House are busy with their own fiscal quandaries. Newly empowered Republicans want to cut taxes, increase defense and infrastructure spending, and repeal Obamacare to replace it with something better—just to mention a few expensive proposals that nearly all Republicans agree on. All this and more, despite a $559 billion deficit projected for fiscal 2017. There's no room for helping out the states, and plenty of reasons to say the states are getting more than enough help already. The federal government provides nearly a third of the states' total revenues, but the federal hand is far more important than direct grants, which totaled $589 billion in 2014. The same year, the federal government paid out $1.1 trillion in retirement benefits and $895 billion in other benefits, chiefly medical, for individuals located in the 50 states. The U.S. government paid its own military and civilian employees $305 billion, and it paid $356 billion on federal contracts. Nearly all of that federal spending is subject to income tax in states that have income taxes, and the **recipients use federal money to buy things, generating revenue for states that have sales taxes**. Pension Panic Beyond the unfortunate short-term dependence of many states on money that falls from the federal heavens, there are the unfortunate longer-term policies of their own that have put many states in fiscal trouble. Chief among these is **the growing crisis in state and municipal pension funds.** Importantly, the condition of state and local pensions **is worse than officially reported.** Pension boards, their advisors, and their actuaries have been using unrealistic estimates of their investment returns that are left over from the years of higher inflation that ended in the 1990s. The National Association of State Retirement Administrators surveyed 132 big government pension plans last year and found the average estimate of future annual investment returns—the discount rate—to be 7.6%. Hard-nosed reformers say they should be using a Treasury rate around 3%, but only seven of the funds in the survey were using discount rates below 7%. The difference is powerful: **The funds pretend their investments are strong and that they are a mere $1 trillion short of what they will need to pay benefits that workers have already earned.** Cutting the 7.6% investment estimate back to 3% turns **the $1 trillion deficit into a $3 trillion hole. Officials** around the country **are loath to acknowledge the mismatch**, and government plans aren't covered by federal pension law that would make them fess up. Pension officials can use whatever discount rate suits their needs. Excuses abound: Governments don't go out of business; they have taxing power; they can hold on for a long time before wolves chew their way through the door. This is the Micawber theory of management. Wilkins Micawber, a colorful character in Charles Dickens' David Copperfield, is a grandiose optimist always flirting with poverty, whose financial maxim is "Something will turn up." Like the author's father, he spends some time in debtors' prison. But, being a charming Dickensian character, something does turn up for him eventually. Actuaries should not be so sanguine, but many know about getting by going along. They want to keep their jobs. The Montana pension systems spoke loudly in 2009 when they were looking for new actuaries. The invitation to actuaries said that a firm arguing for tougher standards "may be disqualified from further consideration."

And - Cuts undermine education reform and the economy

Leachman and Mai, '14 Michael (Director of State Fiscal Research with the State Fiscal Policy division of the Center on Budget and Policy Priorities) and Chris (Intern at the Center on Budget and Policy Priorities), "Most States Funding Schools Less Than Before the Recession", 5-20-14, Center on Budget and Policy Priorities, http://www.cbpp.org/cms/?fa=view&id=4011

The cuts undermine education reform and hinder school districts' ability to deliver high-quality education, with long-term negative consequences for the nation's economic competitiveness. Many states and school districts have undertaken important school reform initiatives to prepare children better for the future, but **deep funding cuts hamper their ability to implement many of these reforms**. At a time when producing workers with high-level technical and analytical skills is increasingly important to a country's prosperity, large cuts in funding for basic education threaten to undermine the nation's economic future.