

# Neg

Abby and I negate Resolved: The United States federal government should impose price controls on the pharmaceutical industry.

## Contention One is Stifling Innovation

**The United States is the biggest contributor to pharmaceutical innovation. This is largely because of the lack of price controls.**

Patricia Van Arnum, 4-13-2016, "Biopharmaceutical Innovation: Which Countries Rank the Best?," **Drug, Chemical & Associated Technologies Association**,  
<https://www.dcatvci.org/250-biopharmaceutical-innovation-which-countries-rank-the-best> //AM

**A recent industry study examines the extent to which** the public investment, intellectual property, and **drug pricing policies of 56 countries proactively contribute to or detract from** global life-sciences **innovation**. So what did the report find? **The report finds that the United States places first overall, with policies (on a per-GDP basis) that contribute the most to global biopharmaceutical innovation, followed by Switzerland, Taiwan, Singapore, and Sweden.** T Value Chain Insights (VCI) examines the rankings. The study is based on three main indicators: governments' R&D expenditures on health (measured by the share of government R&D dedicated to health research and government R&D as a share of gross domestic product (GDP); the extent of their price controls on pharmaceutical drugs; and their protections for life-sciences intellectual property (IP), a measured by the period of biologics data exclusivity. The study was conducted by the Information Technology & Innovation Foundation (ITIF), a nonprofit public policy think tank based out of Washington, D.C. focused on public policies that spur technology innovation. The United States ranked first overall. In terms of the specific indicators, it ranked seventh in the government R&D allocated to health research, first with respect to IP protection, and tied for first on the price-controls indicator. **Switzerland, Taiwan, Singapore, and Sweden came in second, [third and fourth] through fifth, respectively, as a result of** strong government investment in life-sciences research, **low pharmaceutical price controls** for Switzerland, Taiwan, and Singapore, and strong IP protection for Switzerland and Sweden. Overall, the US accounts for the largest funding for global life sciences innovation. Although the US produces about 22% of the global GDP and accounts for 4% of the world's population, it accounts for 44% of global biomedical R&D expenditures and its domestic pharmaceutical market about 40% of the global market. Among the five leading pharmaceutical markets in the European Union (France, Germany, Italy, Spain, and the United Kingdom), Germany ranks the highest with an overall ranking of 15 among the 56 countries analyzed for the study. Italy ranks 18th, **the United Kingdom ranks 24th, Spain 25th, and France 40th. In the case of the UK, Spain, and France, the indicator of high price controls brought down those countries' rankings.** Germany and Italy, which ranked higher, have more moderate price controls, have biologics data exclusivity, and have moderate government contribution to life sciences research of 12.3% (Germany) and 16.6% (Italy), reflecting the percentage of government research dedicated to the life sciences/health.

Wayne Winegarden, (*Partner in the economic consulting firm Arduin, Laffer & Moore Econometrics, B.A., M.A. and Ph.D. in Economics from George Mason University*), 10-12-2017, "Price Controls Will Reduce Innovation and Health Outcomes," **Forbes**,  
<https://www.forbes.com/sites/econostats/2017/10/12/price-controls-will-reduce-innovation-and-health-outcomes/#7f36381263a6> //AM

While inapplicable to most patients, the minority of patients who take innovative medicines that are still on patent (e.g. the medicines at the frontier of the pharmaceutical market) would be impacted by the proposed price control schemes. And, just like the example of price controls on doctors, the adverse consequences would be, on net, very costly for the U.S. health care system. **The R&D process for**

**innovative drugs is lengthy, requires** billions of dollars in outlays (**\$2.6 billion** as of 2016), **and is fraught with large risks. Price controls make it more difficult for manufacturers to recoup this cost of capital, diminishing the incentives to innovate and bring new medicines to market.** Importantly, the introduction of new drugs has been essential to improving the quality of health care delivered. For example, in December 2013 and October 2014, the FDA approved two new medications to treat Hepatitis C. These medicines were expensive, but they were also cures for a disease that was previously incurable. Of course, by curing the disease, more expensive (and more invasive) surgeries can now be avoided, which will reduce health care expenditures in the long-run even as pharmaceutical expenditures as a share of total health expenditures increased in the short-run. Price controls risk such benefits in the future.

**This would be especially bad, as most of this innovation is done by small startup companies, which lack the large profit margins and excess funding that big pharma companies have.**

Lori Ioannou, 3-28-2018, "Big Pharma's billion-dollar scramble to invest in start-ups to fuel innovation," **CNBC**,  
<https://www.cnn.com/2018/03/26/big-pharmas-scramble-to-invest-in-start-ups-to-fuel-innovation.html> //AM

Many are also outsourcing R&D, while reducing product development efforts internally. The trend is accelerating at a rapid pace. **Behind the scenes, pint-size ventures are driving pharma innovation. The majority of drugs approved in recent years originated at smaller outfits— 63 percent of them over the last five years,** according to HBM Partners, a health-care investing firm. The allure is multifaceted. **Small biotech start-ups are more nimble, and many can do research and product development faster.** By investing in a broad portfolio of young ventures, a big drug company can leverage outside scientific talent and cast a wide net in order to gain access to breakthrough discoveries in areas of the company's strategic interest. For investors the sheer market size of the industry cannot be ignored. It's a global market growing at 6.5 percent compounded annually that is expected to reach \$1.06 trillion by 2022, HBM forecasts.

**Innovation must continue, and this largely happens through biotechnology startups. However, price controls would decrease venture capital investment into this area.**

Paul Howard, September 2016, "HIGHER PRICES, FEWER CHOICES, Why California's Prop. 61 Will Not Bring Drug-Price Relief," **Manhattan Institute**,  
<https://www.manhattan-institute.org/sites/default/files/IB-PH-0916.pdf> //AM

Less Investment in California's World-Class Biotech Start-Ups California's ecosystem of leading universities, experienced venture-capital firms, and large life-sciences companies makes it a magnet for venture-capital investment. In 2015, California attracted \$4.8 billion in biotech and medical-device venture funding, more than double that of the next highest state, Massachusetts.<sup>28</sup> **If America's medicines industry became significantly less profitable—the explicit aim of [price controls] Prop. 61—it would weaken financial incentives for supporting entrepreneurship and innovation among** the Golden State's many start-up **biotech companies, which depend on venture funding to develop their technologies. Even the threat of drug-price controls on a large scale** (which could occur if Prop. 61 passed and was emulated by other states or the federal government) **can reduce incentives to invest in drug research and development by depressing expected returns to investors. For instance, firms responded to the specter of drug-price controls in the 1993 Health Security Act by reducing pharmaceutical research and development funding by \$1.5 billion.**<sup>29</sup> Other researchers suggest that **a 40%–50% reduction in U.S. drug prices** (comparable to the effect of mandating VA prices) **would slash investment in early-stage drug-development efforts by 30%–60%.**<sup>30</sup> California's **The**

**start-up community**—responsible for developing cutting-edge technologies, such as gene splicing,<sup>31</sup> that have redefined American medicine—**would bear the brunt of this decline in U.S. investment capital.**

## **There are two impacts. First, Alzheimer's.**

Michael J. Lacey, MsC, December 2014, "Impact of Pharmaceutical Innovation in HIV/AIDS Treatment during the Highly Active Antiretroviral Therapy (HAART) Era in the US, 1987-2010: An Epidemiologic and Cost-impact Modeling Case Study," Truven Health Analytics, <http://truvenhealth.com/Portals/0/Assets/Life-Sciences/White-Papers/pharma-innovation-hiv-aids-treatment.pdf> //AM

In parallel, sharp declines in morbidity and mortality among persons living with HIV/AIDS were noted starting between 1993– 1996 and decreases became dramatic starting in 1996[1]. In the US, age adjusted **death rates due to HIV disease have declined** from 16.2 per 100,000 persons in 1995 to 2.6 per 100,000 in 2010. In other words, **since the introduction of these revolutionary treatments**, the death rate has fallen **nearly 85%**[3].

## **This innovation can be directly attributed to high American drug prices.**

Dana Goldman and Darius Lakdawalla, 1-30-2018, "The global burden of medical innovation," Brookings, <https://www.brookings.edu/research/the-global-burden-of-medical-innovation/> //AM

Its key feature was the granting of market exclusivity that would restrict entry by competitors — in other words, allow for **higher prices**. The result was a dramatic increase in the number of compounds brought into development to treat rare diseases (figure 3). This linkage **may not help patients with tuberculosis today in Nigeria and Indonesia** — two poor countries hardest hit by tuberculosis — **but it is currently benefiting patients in the same countries who have HIV**. Decades ago, demand for HIV treatment in wealthy countries spurred medical breakthroughs that have since found their way — albeit more slowly than we would like — into the poorest corners of the globe. As of July 2017, 20.9 million people living with HIV were accessing antiretroviral therapy globally; 60 percent of them live in eastern and southern Africa.[5 ] American consumers may feel some philanthropic pride about the benefits they have spurred for the world's poorest HIV patients. But similar benefits are also enjoyed by German, British, and French HIV patients, and were **financed by the same revenues generated, in large part, by high American drug prices**. Whether one sees this as philanthropy on the part of American drug buyers, or free-riding on the part of other wealthy countries who pay much less for the same drugs, America clearly contributes more to pharmaceutical revenue, and hence incentives for new drug development, than its income and population size would suggest.

## **Price controls would have a huge effect in deterring similar advancements.**

Robert J. Easton, *co-chairman of Bionest Partners, a global medical business consultancy serving pharmaceutical, medical device, and diagnostic firms and their investors*, 1-22-2018, "Price controls would stifle innovation in the pharmaceutical industry," STAT, <https://www.statnews.com/2018/01/22/price-controls-pharmaceutical-industry/> //AM

Squeezing pharmaceutical R&D spending down to one-fifth of what it is today would also have an enormous impact on the problems that drug developers often choose to address. **Orphan diseases would be deprioritized, as the returns under price controls would not warrant the investment. Complex diseases would also be deselected. While Alzheimer's disease and diabetes have huge patient populations, the extremely high cost of conducting the difficult research and the need for huge and complex clinical trials would dissuade all but the largest**

**companies from pursuing those illnesses if the potential pricing upside was to be significantly constrained.**

Moreover, for difficult diseases like schizophrenia, where today's treatments are mostly inadequate, the flow of more effective new treatments would slow from a trickle to a rivulet, depriving those with these conditions from the possibility of relief.

## **Innovations in these areas and others would save millions of lives annually.**

Dana Goldman and Darius Lakdawalla, 1-30-2018, "The global burden of medical innovation,"

Brookings, <https://www.brookings.edu/research/the-global-burden-of-medical-innovation/> //AM

**Dementia kills about 1.5 million people worldwide each year.** This figure may not surprise Americans, where the problems of Alzheimer's and dementia are (rightly) getting a lot of attention, including a Presidential Proclamation last year.[1] What may surprise many Americans, however, is that **tuberculosis kills about the same number of people worldwide** (so does diarrhea). The public health community emphasizes the urgency of addressing tuberculosis, noting its global burden is greater than that of any other disease, including dementia.[2]

## **Second, antibiotic resistance.**

Charlotte Hu, 7-21-2018, "Pharmaceutical companies are backing away from a growing threat that could kill 10 million people a year by 2050," Business Insider,

<https://www.businessinsider.com/major-pharmaceutical-companies-dropping-antibiotic-projects-super-bugs-2018-7> //AM

Just two years after **Novartis announced it would** embrace the challenge of searching for cures for life-threatening infections known as superbugs, the drugmaker said last week it would **exit antibacterial and antiviral research. Novartis' retreat follows a growing trend of big pharmaceutical companies** — including AstraZeneca, Sanofi, and Allergan — **that are exiting from this type of research because of a lack of profit.** That leaves Merck, Roche, GlaxoSmithKline, and Pfizer as the remaining pharmaceutical companies with active antibiotic programs, according to Nature Biotechnology. Only 12 antibiotics have been approved since 2000. Ever since the invention of penicillin, antibiotic development has been a treadmill. Patients who took too little or too much antibiotics would evolutionarily select for stronger strains by killing off only the sensitive bacteria. Antibiotics were once a lucrative business before inventing new drugs to catch up with the evolution of resistant strains became exhausting. Dr. Jean Patel, science team lead of antibiotic strategy and coordination unit at the CDC, said a fair number of **active antibiotics used against bacteria actually come from small, startup-sized companies, that usually later get acquired by big pharma, which provides the infrastructure to complete clinical trials and market the drug. But with increasing numbers of big pharma firms backing out of antibiotic pursuits, it decreases the variety of new drugs that can be brought to market. "The costs to develop a new antibiotic drug are no less expensive compared to development of drugs for other therapeutic areas, yet the commercial potential and return on investment for companies developing new antibiotics are significantly lower than drugs to treat chronic conditions such as diabetes or heart disease,"** said Gary Disbrow, deputy director of the Biomedical Advanced Research and Development Authority, which sits within the U.S. Department of Health and Human Services.

**Thus, finding solutions to antibiotic resistant infections depends on these small startups, which price controls would devastate. Halting innovation in this area would have enormous consequences.**

Lori Ioannou, 3-28-2018, "Big Pharma's billion-dollar scramble to invest in start-ups to fuel innovation," CNBC,  
<https://www.cnbc.com/2018/03/26/big-pharmas-scramble-to-invest-in-start-ups-to-fuel-innovation.html>

Novo Holdings' recent launch of a \$165 million venture fund focused on tackling "superbugs" resistant to modern antibiotics demonstrates the paradigm shift occurring in Big Pharma. Novo's Repair Impact Fund — Repair stands for Replenishing and Enabling the Pipeline for Anti-Infective Resistance — will invest \$20 million to \$40 million in start-ups and early stage companies in the United States and Europe that have new approaches to combat bacteria that pose the greatest threat to human health. New approaches to combat antimicrobial resistance urgently need to be developed. Already, more than 700,000 people die each year from infections resistant to most or all antibiotics, and the number is increasing by the day. Antimicrobial resistance is projected to kill more people than cancer by 2050, which would reduce global economic output by between 2 percent and 3.5 percent and severely cripple modern medical and surgical advances.

Charlotte Hu, 7-21-2018, "Pharmaceutical companies are backing away from a growing threat that could kill 10 million people a year by 2050," Business Insider,  
<https://www.businessinsider.com/major-pharmaceutical-companies-dropping-antibiotic-projects-superbugs-2018-7//AM>

The lack of research from big pharma companies is a problem. Each year in the US at least 2 million people become infected with antibiotic-resistant bacteria, according to Centers for Disease Control and Prevention, and 23,000 people die each year as a direct result of these infections. It's estimated that as many as 10 million people could die annually from superbugs by 2050 if nothing is done, according to a report commissioned by the UK.

**In order to find cures for these diseases and others and save millions of lives worldwide, we strongly urge a neg ballot.**