

Dear Member of Congress:



**We write in opposition to the Democrat plan to impose price controls, a 95 percent excise tax, and inflation penalties on American pharmaceutical manufacturers.** These proposals will threaten medical innovation, reduce research and development, and cost American jobs. It would be a step toward “Medicare for All” and socialized healthcare.

The Democrats' socialist tax and spend plan allows government bureaucrats to impose price controls on up to 20 medicines in Medicare Part B and Part D. If the manufacturer does not accept this government-set price, they are hit with a 95 percent excise tax on the total revenues of the drug. While it is imposed on a small group of medicines, it creates a new tax and regulatory structure that can be expanded to all cures and to the entire healthcare system, becoming a stepping stone toward socialized healthcare.

The proposal also includes an inflationary rebate penalty on every medicine, an arbitrary policy that could create an incentive for manufacturers to automatically increase the list price of their drugs each year to keep pace with inflation. While supporters of government price controls on American medicine argue they would allow the government to negotiate with the private sector, these policies would actually harm competition and access to cures.

**These policies will crush medical innovation.** The Coronavirus pandemic has demonstrated that strong medical innovation is needed now more than ever. Manufacturers developed several highly effective COVID-19 vaccines at the fastest rate ever. Just last week, Pfizer announced it had developed a pill that reduces the risk of hospitalization and death by 89 percent.

This good news is only possible because the U.S. is the best in the world when it comes to developing innovative, lifesaving and life-preserving medicines. Imposing price controls and taxes will threaten this innovation.

**These policies will impose arbitrary government prices on medicines.** The government has no business dictating changes in price. There are many reasons the price of a product increases – whether that is through supply chain issues, labor shortages, or an increase in production cost.

While inflation is hitting American families hard, the cost of medicines is actually decreasing. Prescription drugs have decreased by 1.6 percent on an annualized basis over the past 12 months, according to the Bureau of



Labor Statistics. By comparison, the consumer price index has increased by 5.4 percent over the same period.

**These policies will upend the market-based structure of Medicare Part D.** Since the law’s enactment, Part D has proven to be a successful model of healthcare by saving taxpayers billions of dollars and granting patients access to medicines at low costs. Under this system, plans are free to compete based on the goal of maximizing access and minimizing coverage costs.

After a decade, federal spending in Part D came [45 percent below](#) projections and is just 14 percent of total Medicare spending. Average monthly premiums in 2019 were just \$32.50 and have been stable since 2011. Part D spending also helps keep costs in the rest of Medicare down – it has decreased hospital admissions by 8 percent, resulting in \$2.3 billion in annual savings.

**These policies will cost high-paying American jobs.** Medical innovation directly and indirectly supports over four million jobs across the U.S and in every state, according to research by TEconomy Partners, LLC. Many of these jobs will be threatened by these new taxes and price controls.

This includes 800,000 direct jobs, 1.4 million indirect jobs, and 1.8 million induced jobs, which include retail and service jobs that are supported by spending from pharmaceutical workers and suppliers.

The average annual wage of a pharmaceutical worker in 2017 was \$126,587, which is more than double the average private sector wage of \$60,000.

**These policies will move the U.S. a step closer to socialized healthcare.**

Progressives are pushing proposals to expand the power that government has over the healthcare system like “Medicare for All” and the public option. These proposals heavily rely on price controls on the healthcare system. Giving federal bureaucrats the ability to set prices in Medicare Part B and Part D would be a step toward this goal.

Imposing price controls are a key tool in moving towards socialist healthcare because they allow the federal government to forcefully lower costs in a way that distorts the economically efficient behavior and natural incentives created by the free market.

**We urge you to reject imposing price controls and taxes on American medical innovation.** These policies would hinder the development of the next generation of cures, threaten high-paying manufacturing jobs, and



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upend the market-based structure of Medicare Part D. It would put the U.S. a step closer to socialized healthcare and permanently expand the power of the federal government.

Sincerely,



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President, Americans for Tax Reform



Marty Connors  
Chair, Alabama Center-Right Coalition



Michael Bowman  
President, ALEC Action



Bob Carlstrom  
President, AMAC Action

Ashley Hayek  
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