

Hillary Clinton's Plan to Control Drug Prices Is Symptomatic of a Failed National Health Care Policy

The vast reach of government as a payer for health care means that drug companies are to a large degree government contractors, and patients are suffering.

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Hillary Clinton isn't even president of the United States yet, and she's already managed to destroy billions of dollars worth of shareholder value. Don't take it from me; take it from The New York Times, which reported in a recent news article that "The Nasdaq biotechnology index lost 6 percent of its value, continuing a rout that was in part set off by a tweet from Hillary Rodham Clinton on Sept. 21. Commenting on a New York Times article about Turing Pharmaceuticals, a company that raised the price of a drug by many times, Ms. Clinton tweeted: 'Price-gouging like this in the specialty drug market is outrageous.' The next day she announced a plan that would aim to limit drug prices in some cases."

Sound familiar? A Democratic presidential candidate preparing to shake down drug companies is a pattern that dates back at least to Barack Obama. An Associated Press article described the deal that the pharmaceutical industry wound up striking with Obama as follows: "the companies volunteered \$80 billion in 10-year savings for the health care changes, and backed it up with an expensive TV ad campaign pushing Obama's proposal."

"Volunteer" is an interesting word to describe what the drug companies did back in 2009 and 2010, given the threat they were faced with. As the same AP article put it, "Lobbyists beat back proposals to allow importation of low-cost medicines and to have Medicare negotiate drug prices with companies. They also defeated efforts to require more industry rebates for the 9 million beneficiaries of both Medicare and Medicaid, and to bar brand-name drugmakers' payments to generic companies to delay the marketing of competitor products."

Having gotten the drug companies to "volunteer" \$80 billion on the last go around, the Democrats are going back for more. If the drug companies play the game again this time around, you can bet that in four or eight years, the Democrats will be back for another \$100 billion. It's like any other protection racket. Once you pay the first time, the mobsters will be back for more.

This time around, the drug-industry trade group is showing signs, at least, of resistance. The president and CEO of Pharmaceutical Research and Manufacturers of America, John Castellani,

issued a statement saying, "Secretary Clinton's proposal would turn back the clock on medical innovation and halt progress against the diseases that patients fear most. These sweeping and far-reaching proposals would restrict patients' access to medicines, result in fewer new treatments for patients, cost countless jobs across the country and erode our nation's standing as the world leader in biomedical innovation."

No one wants to discourage medical innovation. Experience in many areas has shown that sellers are far better at setting prices than government bureaucrats are. At the same time, the vast reach of government as a payer for health care—for government employees, military veterans, and via Medicare for the elderly and Medicaid for the poor—means that the drug companies are to a large degree government contractors. One can't expect taxpayers to bear unlimited prices over unlimited periods of time without some resistance.

The Cato Institute's Walter Olson points out that two laws intended to help patients, the Drug Price Competition and Patent Term Restoration Act of 1984 and the Orphan Drug Act of 1983, have backfired, and that the regulatory red tape of FDA approval makes it costly for new entrants to compete in the medicine business.

So how will this work itself out? The left will keep talking about greedy drug companies. The right will keep talking about excessive regulation. Clinton may try to control the price of medicine, but even she hasn't yet come up with a way to control the prices of drug-company stocks. Those prices have a way of conveying information. If Clinton pushes too hard, she may find the drug industry not "volunteering" to run commercials helping her, but instead enlisting in a campaign to explain to Congress and the public why she is wrong.