



The Daily Dish

State-by-State Drug Policy Threats

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Eakinomics: State-by-State Drug Policy Threats

For the past several years, the price of pharmaceuticals has been an important federal policy issue and the debate has featured a variety of proposals, some of which are incredibly dangerous and counterproductive. Now, as [documented](#) by AAF's Christopher Holt, groups such as the National Academy for State Health Policy have been pushing the states to adopt state-specific measures modeled on some of the worst federal-level ideas. This should be called the Paul Simon strategy because it's [Still Crazy After All These Years](#) and features [50 measures to muck up the market](#).

Specifically, the [model legislation](#) includes “inflation taxes” – penalties for drug prices that rise faster than general inflation. In this instance, “the penalty for an ‘unsupported price increase’ is set at 80 percent of the difference between the revenue generated by sales of the drug and the revenue that would have been generated if the manufacturer had kept the price unchanged, with an allowance for increases relative to inflation.” The other key proposal is international reference pricing, similar to the [International Price Index](#), [Average International Market Price](#), and [Most Favored Nation Price](#) proposals that would tie U.S. prices to prices abroad and—to varying degrees—all result in restricted access to treatments, reduced innovation, and cost-shifting.

The concern is far from theoretical. As Holt notes, “In North Dakota, [legislation](#) has been introduced that would set a maximum price for a drug sold in the state as the lowest price available in the Canadian provinces of Alberta, Ontario, and Quebec. North Dakota is also considering legislation aimed at importing drugs directly from Canada—another Trump Administration initiative that is [unlikely](#) to provide any real benefit to American consumers. Oklahoma, Rhode Island, Hawaii, and Maine are among the states [considering](#) similar proposals. Hawaii and Maine are also considering [proposals](#) to tax or penalize manufacturers for price increases deemed excessive, as are Washington State and Massachusetts.”

Realistically, having one or two states adopt such statutes would have a modest impact. But a successful state-by-state effort to establish a *de facto* national standard would inflict significant damage on innovation and access to drugs. Or, as Holt puts it, “The problem with seeking to punish drug companies for high prices is that in most cases the effects of these policies will ultimately negatively impact American patients most of all.”