

Testimony in Support of LD 697 “An Act to Direct the Maine Prescription Drug Affordability Board to Assess Strategies to Reduce Prescription Drug Costs and to Take Steps to Implement Reference-based Pricing.”

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March 14, 2025

Dear Senator Bailey, Representative Gramlich, and Members of the Joint Standing Committee on Health Care, Insurance, and Financial Services. My name is James Myall. I’m a policy analyst at the Maine Center for Economic Policy, and I’m writing to testify in support of LD 697, “An Act to Direct the Maine Prescription Drug Affordability Board to Assess Strategies to Reduce Prescription Drug Costs and to Take Steps to Implement Reference-based Pricing.” MECEP supports LD 697 as a way to address the rising costs that Mainers pay for prescription medications which are already overpriced compared to the rest of the world.

Surveys consistently show that the cost of prescription medications is a source of acute financial strain and mental stress for Mainers. In a 2023 survey of Maine adults, one quarter reported having delayed filling a prescription or taking less than the recommended dose because the medication was too expensive.¹ National surveys show that these problems are most acute for people on low incomes, and people from racialized groups.²

By directing the Prescription Drug Affordability Board to tackle the problem of drug pricing directly, LD 697 would build on successful efforts at the federal level and move Maine closer to the practice followed by nearly all developed countries of having the government negotiate drug prices with the manufacturers. The federal drug price negotiations authorized under the Inflation Reduction Act cover medicines used by millions of Americans and which cost tens of billions of dollars annually.³

The reason that most countries regulate the price of medicine is that a traditional free market framework simply does not work well in health care. In an “economics 101” model, prices would naturally find the sweet spot between supply and demand, where goods are sold at a price that consumers are willing to pay that ensures enough profit for production to continue. However, several factors impede the health care market from following this model:

- Patients are not well-equipped to understand the value of medications. They often lack the technical knowledge to evaluate the costs against the potential benefits.
- The value of some medications is literally priceless in some situations. Patients will pay any price to access some life-saving medications, and pharmaceutical companies know it.
- The real cost is often obscured from patients and even medical providers by intermediaries like insurance companies.

Given these complications, government intervention is appropriate and necessary to find the right prices to balance supply and demand. You will likely hear the argument that the large margins on prescription medicines are necessary for pharmaceutical companies to continue to innovate. And while there is some truth to that, it is also true that for the largest pharmaceutical companies the amount that they spend on stock buybacks to enrich shareholders outpaces the amount they spend on research and development each year.⁴ Moreover, the promise of future research is scant comfort to the Mainer who goes bankrupt trying to afford cancer treatment today.

By moving the state closer to regulating prices and reining in excessive profits, LD 697 will take a step towards ensuring that all Mainers can afford the health care they need without being held back by their financial status. In doing so, it will improve Mainers' health and their economic stability.

I urge you to vote "ought to pass" on LD 697. I'll be happy to answer any questions.

Notes

¹ "PRESS RELEASE: New survey results regarding the Views of Maine Voters on Health Care Affordability." *Consumers for Affordable Health Care*, May 11 2023. <https://mainecahc.org/news-events/press.html/article/2023/05/11/press-release-new-survey-results-regarding-the-views-of-maine-voters-on-health-care-affordability>

² Grace Sparks, Ashley Kirzinger, Alex Montero, Isabelle Valdes, and Liz Hamel, "**Public Opinion on Prescription Drugs and Their Prices.**" *KFF*, October 4, 2024. <https://www.kff.org/health-costs/poll-finding/public-opinion-on-prescription-drugs-and-their-prices/>

³ Juliette Cubanski, "FAQs about the Inflation Reduction Act's Medicare Drug Price Negotiation Program." *KFF* Jan 23, 2025 <https://www.kff.org/medicare/issue-brief/faqs-about-the-inflation-reduction-acts-medicare-drug-price-negotiation-program>

⁴ Katy Milani, "Profit Over Patients: Americans Are Paying For A Financialized Pharmaceutical Industry." *Roosevelt Institute*, June 2019.