

Testimony in Support of LD 1636, “An Act To Reduce Prescription Drug Costs by Using International Pricing”

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Good morning, Senator Sanborn, Representative Tepler, and members of the Joint Standing Committee on Health Care, Insurance, and Financial Services. My name is James Myall. I am an Economic Policy Analyst at the Maine Center for Economic Policy. MECEP supports LD 1636 as an effective way to halt the rising price of prescription drugs which is causing so much financial distress and physical harm to Mainers.

LD 1636 would regulate the price of a relatively small number of prescription drugs (250), using the prices set by Canadian provinces as a reference point.

We’re all aware of the difficulties of rising inflation and the ways that increasing prices cause real hardship on our wallets. And while inflation in many everyday goods is a recent problem, inflation in health care expenses has been rampant for decades. And within health care, the cost of prescription drugs has risen the most quickly. Over the past forty years, the price of prescription drugs has increased almost twice as fast as general inflation – and 70 percent faster than wages.¹

The primary reason for inflation in drug prices is well known. It’s not over demand, or a problem with supply chains. It’s a desire from pharmaceutical companies to squeeze as much money from American consumers as possible. And the resulting hardship for Mainers is equally well-known. Almost one in three Maine adults are forced to take drastic measures like skipping doses or taking less than the recommended dose of their required medication because they can’t afford it.²

This legislation is particularly well suited to tackling the problem of high drug prices because it gets to the heart of the problem. On average, Americans pay between 2 and 3 times as much for prescription drugs than people in other rich countries.³ Why? The most straightforward answer is because American lawmakers allow it.

Other developed countries regulate the price of prescription medicines because they realize that a free market approach doesn’t work. As an economist I recognize the value of allowing supply and demand to determine the appropriate price for most goods and services. But prescription medications are a clear case of market failure. Buying medicine is not like shopping for milk or even getting your tires changed. For one thing, in many cases, there is no alternative medication available. Pharmaceutical companies are granted exclusive patents which stifle competition. Even where alternatives exist, patients don’t have enough information or expertise to shop around. They have to take whatever their doctor prescribes, whatever the cost.

If pharmaceutical companies can afford to sell drugs to Canadians at these prices, they can afford to sell them to Mainers. There’s no reason for us not to follow the lead of our peers in other countries and ensure that everyone has access to affordable and potentially life-saving medication.

I urge you to vote “ought to pass” on LD 1636. Thank you, and I’m happy to answer any questions.

Notes

¹ Calculation using Bureau of Labor Statistics, Consumer Price Index (CPI-U), total versus prescription medications, January 1984-January 2022. Average hourly earnings for private sector, United States, January 1984-January 2021 via St Louis Federal Reserve, FRED economic data.

² “Maine Residents Worried about High Drug Costs – Support a Range of Government Solutions.” *Altarum Healthcare Value Hub*, Jan 2022. <https://www.healthcarevaluehub.org/advocate-resources/publications/maine-residents-worried-about-high-drug-costs-support-range-government-solutions>

³ Nisha Kurani, Dustin Cotlair & Cynthia Cox, “How do prescription drug costs in the United States compare to other countries?” *Peterson-KFF Health System Tracker*, Feb 8, 2022 <https://www.healthsystemtracker.org/chart-collection/how-do-prescription-drug-costs-in-the-united-states-compare-to-other-countries/>