

## Pharmaceutical Pricing: Update to May 17, 2018 Blog



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In light of the recent midterm election, we will soon have a split federal government, with the Democrats controlling the House and the Republicans controlling the Senate and the White House. In the area of health care, while little may get done, there is an area that appears to be of joint interest to both. Both the President and many Democratic elected officials have suggested that we need to control drug prices. Prior to the election, the Administration indicated that it was considering negotiating drug prices on behalf of certain governmental programs and considering European prices as a guide.

As mentioned in my previous [blog](#) of May 17, 2018, we should go much further than this for a whole host of reasons. I think it is appropriate for the United States, as the major buyer of pharmaceuticals, to enact the Most Favored Nation approach, under which no company could sell pharmaceuticals in the United States at a price higher than the lowest price they are sold anywhere else in the world.

What does that accomplish? Americans would not be encouraged, as we can see from the literature, to purchase drugs in Canada or Mexico, or as what is being hinted at currently in the literature, having employer plans encourage their employees to purchase drugs outside of the United States. If the price of the drugs would be the same, or lower than they would be in Canada or Mexico (or from any other place that you would order them on the Internet), then there is no need to risk purchasing drugs outside of the American secure system of providing effective quality drugs.

In addition, contrary to the approach being considered of negotiating rates for pharmaceuticals, this approach would eliminate a number of problems.

There would be little opportunity under this approach for influencing the negotiations by political contributions, either requested by elected officials or voluntarily provided to elected officials to impact the negotiations.

There would also be no need for developing a specialized purchasing program for small business enterprises, to the extent that they can even exist in this expensive field of pharmaceuticals, minority enterprises or women-owned enterprises. All types of purveyors of pharmaceuticals would be subject to the statutory limitation.

In a way, it would also accomplish the objective of having the rest of the world bear their fair share of common expenses. It is clear that the American consumer is bearing the burden of pharmaceutical research and development, with the prices that they have to pay for drugs. However, not only do the consumers in the United States benefit from research and development, but consumers throughout the world benefit as well.

Under a Most Favored Nation approach, all we would need is a government agency to enforce this simple pricing rule: whether or not the pharmaceuticals are being sold in the United States at a price no higher than they are being sold anywhere in the world. This would lead to less regulation, as the government would not need to be involved with negotiating prices for individual drugs.

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