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Price Setting is the Wrong Approach for Americans: Lessons Learned from the IRA

Rather than doubling down on the IRA's failed price-setting framework through Most Favored Nation (MFN), Congress should heed the clear evidence that price controls harm patients and undermine American leadership.

What we've learned from the IRA's price-setting policies:

Declining investments in the next generation of treatments and cures:

- Since the IRA was introduced, early-stage R&D investment for small molecules declined by nearly 70%.[i]
- Investment in small molecule research for diseases most common among Medicare patients—such as Alzheimer's disease, heart failure and several types of cancer—decreased in size by a median of 74%.[ii]

Slowdown in research and clinical trials:

- Since the enactment of the IRA, the number of clinical trial starts for new, unapproved small molecule medicines has fallen by 25%, and the number of clinical trials for new uses of existing small molecule medicines has fallen by 30% to 45%.[iii] [iv]
- Had the IRA been in place from 2000–2023, roughly one-third of post-approval new uses for small-molecule drugs may never have been developed.[v]
- For diseases like cancer, the advances that lead to the best chances of improved outcomes emerge years after initial approval, with more than 60% of therapies designed to prevent tumors from spreading approved five or more years post-approval—precisely when the IRA's price-setting provision takes effect.[vi]

Increased out of pocket expenses and more barriers to care for patients:

- Nearly half of all attempts to fill a new brand medicine were initially denied coverage in 2025, despite the IRA's promise to make medicines more affordable and accessible for patients.[vii]
- Despite promises of lower costs, the IRA has coincided with higher premiums and fewer choices for seniors, with standalone Part D plan premiums originally projected to increase 32% and choices shrinking by 22% for 2026.[viii]
- Only 11% of non-low-income Medicare Part D beneficiaries are expected to spend less per prescription as a result of the first ten government-set prices.[ix]
- Even more, with the IRA's changes to Part D, two-thirds of beneficiaries are enrolled in plans that shifted coverage of selected medicines from copays to coinsurance, of which 60% are projected to face higher cost-sharing for six of the 2026 selected medicines.[x]

Congress must reject MFN and any expansion of government price controls.

The lessons from the IRA are clear: whether through the IRA or MFN, government price controls weaken the U.S. biopharmaceutical ecosystem without delivering meaningful benefits to patients.

Instead, policymakers should pursue reforms that:

- **Fix misaligned incentives that reward middlemen**
- **Stop tax-exempt hospitals from abusing the 340B program**
- **Leverage trade negotiations to make other countries pay their share for innovative medicines**

[i] Vital Transformation. *Inflation Reduction Act: Two Years On—Investor Behavior, R&D Impacts, and Proposed Solutions.*
[ii] Dubois, P., et al. *Early-Stage R&D Investment Effects Following the Inflation Reduction Act. Health Economics Review. SpringerLink.*
[iii] Long, G. *The Inflation Reduction Act and U.S. Small-Molecule Clinical Trial Activity. Journal of Medical Economics (2026).*
[iv] Zheng, H., Patterson, J. A., & Campbell, J. D. *Early Impact of the Inflation Reduction Act on Small-Molecule vs. Biologic Post-Approval Oncology Trials. Health Affairs Scholar, Vol. 3, No. 8 (2025).*
[v] IQVIA Institute. *Proliferation of Innovation Over Time.*
[vi] ADVI. *Implications of the IRA on Post-Approval Research in Oncology.*
[vii] IQVIA. *Increasing Payer Control for Medicare Patients Initiating Branded Medicines.*
[viii] Avalere Health. *Part D Choices Continue to Shrink With Fewer PDPs in 2026.*
[ix] DLA Piper. *Keeping Watch on Medicare: 2026 Maximum Fair Prices for Ten Selected Drugs.*
[x] Magnolia Market Access. *Medicare Part D Cost-Sharing Changes in 2026.*