Foreign Reference Pricing is Bad for Americans

Foreign reference pricing policies harm patients and undermine American leadership in medicine.

Government price setting in any form is bad for American patients and undermines the U.S. biopharmaceutical industry's ability to compete against other countries. Foreign reference pricing (FRP) policies are a form of government price controls that effectively outsource authority to nations that often undervalue biopharmaceutical innovation.

Why FRP is a bad deal for American patients:

FRP doesn't address the real driver of prescription drug costs

The United States is the only country in the world that lets insurers, PBMs, hospitals and others take 50% of every dollar spent on medicines while driving up out-of-pocket costs for patients.[i]

FRP doesn't fix unfair practices abroad that allow foreign countries to free ride off American R&D

Foreign governments routinely undervalue innovative medicines, putting the financial burden of innovation on U.S. patients. They do this through pricing and reimbursement regimes that are not transparent, lack procedural fairness and fail to provide full market access for innovative medicines, the majority of which are developed in the United States.

FRP threatens America's competitive edge in biopharmaceutical R&D

There is clear evidence from other countries of the negative impact from government price setting policies. In 1986, biopharmaceutical R&D investment in Europe was 24% higher than in the U.S. After adopting price setting, Europe trails the U.S. by over 40%.[ii, iii, iv]

Imposing price setting would also make us less competitive with China. Chinese-headquartered companies now have the fastest growing clinical development portfolio in the world, comprising 30% of the world's clinical trial starts, second only to the United States

Solutions should put American patients first

To lower medicine costs for American patients, we need to fix the flaws in the U.S. system by reining in the middlemen who profit off treatments and crack down on unfair practices abroad so foreign countries that benefit from American R&D start paying their fair share for innovative medicines.

i Blalock, Eleanor, Mira Ferritto, and Jeannie Taylor. The Pharmaceutical Supply Chain, 2013–2023. Berkeley Research Group, January 2025. https://www.thinkbrg.com/insights/publications/the-pharmaceutical-supply-chain-2013-2023/.

ii Golec, J. and J. Vernon, "European Pharmaceutical Price Regulation, Firm Profitability, and R&D Spending", NBER Working Paper No. 12676, National Bureau of Economic Research, November 2006, available at http://www.nber.org/papers/w12676.

iii European Commission, "The 2016 EU Industrial R&D Investment Scoreboard", 2016, available at https://iri.jrc.ec.europa.eu/scoreboard/2016-eu-industrial-rd-investment-scoreboard (last accessed August 2017).

iv The Council of Economic Advisors, "Funding the Global Benefits to Biopharmaceutical Innovation", February 2020, available at https://trumpwhitehouse.archives.gov/wp-content/uploads/2020/02/Funding-the-Global-Benefits-to-Biopharmaceutical-Innovation.pdf.