

# The Real Story Behind CBO's "Analysis" of H.R. 3

CBO's letter only covers Title I of the Pelosi plan, and only considers spending and revenue related to Part D, meaning this analysis of the bill is woefully incomplete. Or, in their own words, "subject to considerable uncertainty."<sup>1</sup>

CBO does acknowledge that the government takeover of Part D will discourage investment in new cures – effectively reversing the gains in innovation made by the bipartisan 21st Century Cures Act. Specifically, CBO estimates that "manufacturers would reduce spending on research and development as a result."<sup>2</sup>

Their letter only considers drugs that will not come to market in the next 10 years as a result of this government takeover. Tufts University estimates that the process to develop and win approval for new drugs takes 15 years, meaning the CBO scoring window misses the period when the policy might have the largest effect on innovation.

- When a company is making decisions about investments that might pay off in 15 years, policy uncertainty comes into play. If the Pelosi bill is seen as just the start, with more drugs likely to become subject to government price negotiation, then the effects on innovation will be even more dramatic – something the CBO does not seem to have factored into its calculations.<sup>3</sup>

The analysis claims the overall effect on the health of families from decreased availability of new drugs is "unclear" – there is nothing unclear about it. For the 5.8 million people living with Alzheimer's, which does not yet have a cure and is costing the health care system \$290 billion this year alone (as high as \$1.1 trillion by 2050), the costs of discouraging R&D are very clear.<sup>4</sup>

- CBO also acknowledges that "the combination of income taxes and excise taxes on the sale [of drugs] could cause the drug manufacturer to lose money if the drug was sold in the United States."<sup>5</sup>

As if this process were not partisan enough, the CBO letter cites a report written by Ways & Means Democrats and published the very same month the Pelosi plan was introduced.<sup>6</sup>

CBO rightly acknowledges that the prospect of extending life for a patient will be assigned a dollar value by the federal government.<sup>7</sup> This is the sort of death panel that exists in other countries with nationalized health systems.<sup>8</sup>

Pharmaceutical companies will, in some cases, actually increase their launch prices to protect themselves from the price controls in the rest of the system. This will hurt patients without insurance or with high-deductible plans who pay based on launch price.

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1 CBO Letter to Chairman Frank Pallone, Page 14

2 CBO Letter to Chairman Frank Pallone, Pages 10-11

3 <https://www.statnews.com/2019/10/16/cbo-estimate-pelosi-drug-bill-misses-long-term-impact/>

4 <https://www.brightfocus.org/alzheimers/article/alzheimers-disease-facts-figures>

5 CBO Letter to Chairman Frank Pallone, Page 4

6 CBO Letter to Chairman Frank Pallone, Page 7

7 CBO Letter to Chairman Frank Pallone, Page 8

8 <https://www.bbc.com/news/health-28983924>

