



April 27, 2017

The Honorable Larry Hogan
Governor, State of Maryland
100 State Circle
Annapolis, MD 21401

Dear Governor Hogan:

As state and national organizations representing a wide range of U.S. taxpayers and consumers, we write today in opposition to H.B. 631, which seeks to impose pricing constraints on generic drug manufacturers. We strongly urge your veto of this misguided and potentially disastrous legislation.

There is no doubt that the bill is well-intentioned and aims to address a very serious health care issue in Maryland. Working families, small businesses, seniors, and especially society's most vulnerable patients are feeling the brunt of rising prescription drug costs. But we oppose the General Assembly's "solution" of targeting generic pharmaceutical manufacturers, the very industry that holds the key to holding down drug prices. The Maryland government would be better served promoting policies that encourage drug competition.

The statistics overwhelmingly support the role generic drugs play in controlling prescription drug costs. Today, generic drugs represent 89% of all prescriptions filled but are only 27% of overall drug cost. And while the price of brand-name drugs increases, market data show the price of generic drugs falls year after year. In fact, a new Express Scripts Drug Trend Report notes that the price of generics has declined, on average, 74% since 2008.

If H.B. 631 takes effect, the threat of legal action from the Attorney General – using an arbitrary "unconscionable" price increase standard – will undoubtedly chill generic competition, limit consumer choice, and ultimately impede patient access to lower cost drugs. The only beneficiary of H.B. 631 are the largest pharmaceutical companies whose profits will be protected from generics competition. Let the lower-priced generic manufacturers compete against larger brand name manufacturers.

In sum, H.B. 631 is anti-taxpayer, anti-patient and anti-free market. We believe that it serves as a cautionary tale for other policymakers – at the federal and state level – about how NOT to pursue prescription drug cost reform. Please consider vetoing this bill.

Respectfully yours,

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American Consumer Institute

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