

# The Unintended Consequences of Price Controls



As one of the most research and development (R&D)-intensive domestic industries, the U.S. pharmaceutical industry is the engine for scientific breakthroughs that change the way we treat and prevent diseases.

*Sanofi supports policy solutions that preserve drug discovery and development while ensuring broad and affordable patient access to life-changing medicines.*

Supported by a framework that encourages innovation and competition, the pharmaceutical industry has developed over 360 medicines and vaccines to address diseases such as cancer, cardiovascular disease, and diabetes in the last five years alone.

In recent years, policymakers have increasingly embraced price controls as a one-size-fits-all “solution” geared toward lowering the price of medicines. Unfortunately, price controls — such as federal drug price “negotiation” and state prescription drug affordability boards — constrain the development of new effective therapies and fail to create meaningful savings for patients.

*Price controls can have severe consequences* for innovation in whole classes of medicines, access to medicines under public and private health plans, and the development of future innovative therapies.

## A Guide to Price Controls:

### Key Terms You Need to Know

#### Medicare Drug Price Negotiation Program

Medicare program enabling the federal government to set price controls, known as “maximum fair prices,” for select Medicare Part B and Part D drugs; established by the Inflation Reduction Act of 2022 (IRA).

#### Prescription Drug Affordability Boards (PDABs)

State entities tasked with reviewing drug affordability and, in some states, establishing price controls, known as “upper payment limits.”

#### Most Favored Nation (MFN)

A policy initiative that ties U.S. brand drug prices to the lowest price paid in economically comparable countries.

# Downstream Effects of IRA Price Controls

The Inflation Reduction Act’s “negotiation” process, as written, is essentially government price setting — a policy that artificially influences R&D investment decisions.

*The IRA’s pre-price control window limits a company’s runway to conduct clinical trials for regulatory approval in different indications that target multiple disease areas.*

Read more on the [importance of post-approval research](#).

In four years since the IRA’s passage, the healthcare system has already seen negative impacts on innovation from the Medicare Drug Price Negotiation Program. [New research](#) shows that, in just a short span, **the IRA has already impacted late-stage biopharmaceutical R&D in areas of high unmet medical need such as oncology.**

Researchers particularly noted the [losses in development](#) of small molecule oncology medicines. Following the IRA’s introduction, approvals declined by 27% for lead indications while studies for secondary indications declined by 37%. Small molecule drugs — typically taken as pills or capsules at home, and among the most convenient and affordable treatments available — face government price controls four years earlier than biologics under the “pill penalty.”

**The data confirms what many projected about the IRA’s drug price controls:**  
*the program risks long-term innovation and seniors’ access to new therapies.*



The share of follow-on orphan oncology studies has [declined 14%](#) since the IRA’s introduction.



Just a 10% fall in U.S. revenues could reduce pharmaceutical innovation by [as much as 15%](#).

If the IRA continues down this path and curtails U.S. innovation in medicines, the lack of novel treatments could lead to higher medical costs and increased hospital stays — areas of the system where costs are high and patient burdens are significant.

Without changes, the **IRA’s price controls will place a thumb on the scale of science** in ways that will significantly limit research. New evidence [suggests](#) the first round of negotiated prices is not expected to reduce annual out-of-pocket costs for the majority of Medicare Part D beneficiaries.

# What are Prescription Drug *Affordability Boards*?

Often pushed by the special interests of healthcare insurers, state governments have begun to adopt price control measures by establishing politically appointed panels, or *prescription drug affordability boards (PDABs)*, to assess the prices of medicines in their state.

While each state's PDAB varies in operation and level of legal authority, some are authorized to arbitrarily establish "upper payment limits" on drugs that the panel determines are "unaffordable."

*No state PDAB, however, lowers out-of-pocket costs for patients or requires insurers and pharmacy benefit managers (PBMs) to directly share potential savings with patients.*

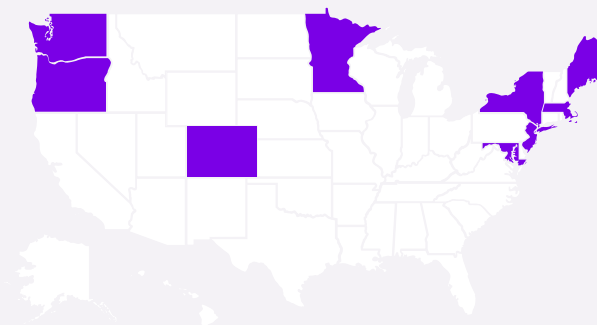
Just like the IRA, PDABs hold unintended consequences for patient access and continued drug innovation. We share the concern of numerous patient and provider groups who have warned that government price setting could limit access to critical medicines by inserting a state's determination of what is affordable between patients and their prescribers.

It's never been more urgent for legislators to limit the harms of PDABs as two states — Colorado and Maryland — are actively working to apply upper payment limits on selected medicines.

## Where are PDABs in the U.S.?

State-level prescription drug affordability boards are authorized in nine states, though just a handful have begun operations.

*Many more states are actively considering similar boards in this year's legislative session.*



### States with PDABs

- |              |             |                 |
|--------------|-------------|-----------------|
| 1 Washington | 4 Minnesota | 7 Massachusetts |
| 2 Oregon     | 5 Maryland  | 8 Maine         |
| 3 Colorado   | 6 New York  | 9 New Jersey    |

As of Oct. 2026

# Preventing the Expansion of Government Price Controls

On top of Medicare drug price negotiations and state PDABs, policymakers are now considering and beginning to implement additional policies, such as *Most Favored Nation (MFN) pricing*, that would further extend government-price setting into the U.S. healthcare system.

Under a May 2025 *Executive Order*, federal agencies were directed to explore and begin implementing MFN pricing that would tie U.S. prescription drug pricing to those established by foreign governments. MFN would effectively import those foreign-controlled prices while shifting decisions about the value of innovation away from American patients and providers. In addition, some MFN policies under consideration, as proposed, may not meaningfully reduce patient costs.

We already see how Medicare “negotiations” influence R&D investment decisions and post-approval research. Thus, when weighing new pricing mandates, it’s critical for policymakers to review each measure’s long-term impact on medical innovation, patient access, and the development of future treatments.

*Expanding price controls could further reduce investment in the next generation of medicines, leaving patients with fewer new treatment options in the future.*

Rather than expanding government price controls, policymakers should pursue solutions that address patients’ needless *delays* and *out-of-pocket costs* while preserving the *incentives* that drive discovery, development, and improvements to life-changing medicines.

Sanofi supports policies that protect innovation while improving patient access and affordability:



**Eliminate** the IRA’s unequal treatment of small molecule drugs compared to biologics, so incentives are preserved for investment across all types of therapies.



**Reduce** disincentives for post-approval research so manufacturers can continue developing new indications, expanding treatments to more patients, and improving outcomes across multiple diseases.



**Exempt** rare disease therapies from PDAB reviews, limiting the reach of these flawed boards and further protecting investment in areas of significant medical need.



**Reject** the expansion of government price controls, including Medicare drug price negotiation and MFN pricing models, to ensure patients continue to benefit from future therapeutic advances.



**Recognize** the full value of medicines by requiring affordability policies to account for health outcomes, care utilization, productivity, quality of life, and other factors that matter to patients and the healthcare system.