

The Daily Dish

Another Round of Pharmaceutical Price Controls

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Recall that the misnamed, ill-designed, and sweeping Inflation Reduction Act (IRA) included price-fixing for drugs in parts B and D of Medicare. While labelled a "negotiation," the Centers for Medicare and Medicaid Services (CMS) entered the arena armed with confiscatory taxes and the ability to unilaterally ban a firm's drugs from Medicare if it was unhappy with the pricing. Thus, CMS could practically dictate the final result.

Eakinomics uses the IRA process for mood modulation, revisiting it any time a shade of policy optimism sneaks in. Accordingly, regular readers are well aware of the heavy-handed misuse of tax policy, detrimental incentives for new drug development, bias against small-molecule innovation, and undercutting of incentives for entry of generics and biosimilars – all done in the name of helping a small fraction of Medicare beneficiaries.

CMS just announced the third round of drugs to enter the Maximum Fair Price death zone. They are shown in the table at the bottom, which is reproduced from Michael Baker's new paper on the topic. Several are among Medicare's highest-spend therapies in oncology, immunology, HIV, and cardiometabolic disease.

Recall that the first round covered 10 Part D drugs, while the second covered 15 Part D drugs. CMS estimated that Medicare would have saved $6 billion, or 22 percent, on the first round and $8.5 billion or 36 percent in the second. The difference this time around is that the 15 drugs come from both Part D and also Part B. This greatly broadens the number of development, production, pricing, and coverage decisions that will be distorted – all substantial costs of the policy. Baker estimates – based on past CMS work – that the savings will be $5.9–$11.9 billion on spending that totaled $27 billion.

Granted, $6 billion to $12 billion is real money. But it is hard to imagine that it is a benefit large enough to swing a benefit-cost test into positive territory. The IRA remains a policy

loser.

Drug Name	Commonly Treated Conditions	Total Medicare Part B and Part D Prescription Drug Expenditures from November 2024-October 2025	Number of Medicare Enrollees Who Used the Drug from November 2024–October 2025
Trulicity	Type 2 diabetes; Type 2 diabetes and cardiovascular disease or multiple cardiovascular risk factors	$4,898,378,000	617,000
Biktarvy	Human immunodeficiency virus type 1 infection	$3,904,486,000	101,000
Orencia	Psoriatic arthritis; Rheumatoid arthritis	$2,450,065,000	72,000
Cosentyx	Plaque psoriasis; Psoriatic arthritis	$2,327,442,000	40,000
Erleada	Prostate cancer	$1,947,504,000	19,000
Kisqali	Breast cancer	$1,578,679,000	17,000
Entyvio	Crohn's disease; Ulcerative colitis	$1,483,348,000	37,000
Verzenio	Breast cancer	$1,428,714,000	15,000
Botox; Botox Cosmetic*	Chronic migraine; Overactive bladder; Spasticity; Other movement disorders	$1,143,070,000	390,000
Lenvima	Thyroid cancer; Endometrial cancer; Liver cancer; Kidney cancer	$1,088,498,000	10,000
Xolair	Asthma; Chronic spontaneous urticaria	$1,077,271,000	40,000
Rexulti	Major depressive disorder; Schizophrenia; Agitation associated with dementia due to Alzheimer's disease	$1,075,274,000	119,000
Xeljanz; Xeljanz XR	Psoriatic arthritis; Rheumatoid arthritis; Ulcerative colitis	$1,013,332,000	22,000
Anoro Ellipta	Chronic obstructive pulmonary disease	$812,772,000	281,000
Cimzia	Crohn's disease; Plaque psoriasis; Psoriatic arthritis; Rheumatoid arthritis	$786,790,000	38,000