The Daily Dish

Price-fixing Via Priority Vouchers

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The Food and Drug Administration (FDA) has announced the Commissioner's National Priority Voucher (CNPV) Program. The idea is to have a fast-track review – as short as one to two months compared to 10 to 12 on the usual timeline – for drugs that address one or more national priorities, such as pandemic preparedness, domestic manufacturing, national security, or serious unmet medical needs. Although there is a slew of devils in the details of setting national priorities, choosing the drugs, and getting the reviews done, this seems like a benign enough idea.

But Friday – why is it always on a Friday? – FDA Commissioner Marty Makary announced the agency would choose to fast-track those drugs that promise to match the low price in other countries. (See here.) As reported by Bloomberg:

> *We can issue a national priority review voucher for companies that are promising to equalize the price" between the US and what other foreign countries pay, Makary said. "We want to incentivize good behavior in the marketplace, and these priority vouchers are worth a lot of money.*

Let's be clear. This notion of equalizing prices with other countries is at the heart of the president's misbegotten Most Favored Nation (MFN) pricing initiative, so this is simply abusing the FDA approval process to implement MFN. Effectively, the FDA is saying: "Promise the low price, or you will be at the very back of a long line of desired drug approvals." There is nothing benign or meritorious about it. Indeed, it is variant of the Biden Administration's deception of dressing up price controls in the guise of a "negotiated" price.

The mystery is why anyone would pursue such a bad idea. There appears to be a collective memory loss plaguing policymakers, so let's begin with a quick review. Prices are high when supply is very limited or demand is quite large, or both.

The solution to high prices, then, is more supply or less demand (or both). Controlling the price received by manufacturers dulls the incentive to produce, which is a step in the wrong direction. Mandating a low price will stimulate the demand for any product; again, a step in the wrong direction.

Price controls do not produce an ounce of additional supply and elicit even more demand. Price controls will never be the solution to any real policy problem. The FDA is on a dangerous fool’s errand.