



The Daily Dish

# Just Exactly What Are We Supposed to Celebrate?

DOUGLAS HOLTZ-EAKIN | AUGUST 29, 2023

The White House is throwing a celebration of the health provisions in the [Inflation Reduction Act \(IRA\)](#) today on the occasion of having picked the first 10 drugs for its “negotiation” regime. It’s a fine idea, except for three things.

First, there’s nothing to celebrate. The promised low prices won’t arrive until 2026, nor will the cap on seniors’ out-of-pocket expenses in Medicare Part D until 2025. Granted, [1 million of the 65 million](#) seniors will benefit from the legislated cap on insulin spending. But in the main, put on your party hat and have a toast for things that won’t happen until this administration is history. And be forewarned: It will be a [rocky road](#) of dropped plans, new formularies, utilization management, and higher premiums between now and then.

Second, there is no negotiation to celebrate. A plain reading of the law says that the price must be below 40–70 percent of the average manufacturer’s price. That is just plain price controls, something the left has always denied would be the outcome of giving the Health and Human Services secretary negotiation authority. At that point, the secretary can demand an even lower price. If the innovator firm refuses, the secretary can impose a death-penalty 1,900 percent excise tax on every sale in the domestic market (not just Medicare). That’s not negotiation; it is plain extortion – my price or go out of business.

Third, the most predictable outcome will be reduced access to crucial therapies for seniors. That could happen to existing drugs (as above). And the threat of being a selection for the gauntlet of future price controls and extortion will stop the development of some new drugs in their tracks.

In sum, there is nothing to celebrate, and certainly not now. The so-called negotiation is a toxic mix of price controls and state-sponsored extortion. And the most predictable outcome will be reduced access to crucial therapies for seniors now and in the future.