



MARYLAND TAXPAYERS ASSOCIATION
MARYLAND CENTER RIGHT COALITION

April 5, 2017

Hon. Larry Hogan, Governor
Hon. Thomas V. Miller, President
Maryland State Senate
Hon. Michael E. Busch, Speaker
Maryland House of Delegates
101 State Circle
Annapolis, MD 21401

Dear Governor Hogan, President Miller, and Speaker Busch:

The undersigned organizations and individuals represent an informal coalition of grassroots and public policy activists, most of which are Maryland-focused, who are deeply concerned with HB 631, an act concerning so-called “price-gouging” for generic drugs in Maryland, introduced for this year’s legislative session. In our opinion, legislation like this only exacerbates the skewed economics of the prescription drug market, much of which is due to government-interference within that marketplace, and would wind up making generic pharmaceuticals (which save Marylanders billions of dollars each year) far more expensive.

Because the generic drug marketplace is truly competitive, those competitive forces substantially drive-down prices for consumers, and do so, year after year. Generics account for 90% of all prescriptions, but only account for 27% of drug costs overall! In Maryland, choosing generic drugs over brand name and specialty drugs saved Marylanders nearly \$4 billion in their medical costs. In 2016, the average price for generics fell over 8%, and over the last decade, the prices for generic drugs have **fallen 70%!**

But by interfering in this marketplace, the Maryland legislature would put a stop to the good work these market forces do, and instead substitute the judgement of bureaucrats for those of consumers. It would, essentially, put state employees in charge of the marketplace, chilling competition and discouraging providers from selling their less-expensive options within the state—using a bizarre and, frankly, arbitrary standard of what is either “excessive” or “not

justified.” Maryland would, essentially, be the *first* state to reject the free market in generic drugs in favor of more regulation, the only segment of the drug marketplace where prices are declining.

Worse, the vague (and therefore arbitrary) nature of terms like “price gouging” and “excessive” and “not justified” create a perpetual liability problem for firms seeking to provide essential medicines for Maryland residents. It is the ultimate disincentive—at a time when Maryland has been doing what it can to create a business-friendly climate. Why would a firm choose to sell its products in a state when some government official is peering over its shoulder, second-guessing their market-driven decision (which is, of course, a consumer-driven decision) to set a particular price?

And the ironic result of driving competitors out of a marketplace is that prices go *up* for consumers, not *down!*

Maryland consumers need more choices when it comes to their drugs, not fewer. HB 631 will drive those choices out of the marketplace, doing a disservice to Marylanders by limiting their options and driving pharmaceutical prices up and is therefore bad public policy.

Sincerely,

Andrew Langer, President
Institute for Liberty

Jerry Rogers, Founder
Capitol Allies

Peter Sepp, President
National Taxpayers Union

Gregory Kline and Brian Griffiths, Founders
RedMaryland.com

Dee Hodges, President
Maryland Taxpayers Association

Kevin Waterman, Chairman
Maryland Center-Right Coalition

Larry Helmeniak
Conservative Activist