

THE TRIP ACT

Taxpayer Return on Investment in Pharmaceuticals

The Problem

American taxpayers invest tens of billions of dollars every year in pharmaceutical research through the National Institutes of Health, university grants, and federal subsidies. Yet when those investments produce life-saving drugs, Americans pay the highest prices in the developed world — often many times more than patients in other countries for the exact same medication. Pharmacy benefit managers add layers of opaque middlemen that inflate costs further. Taxpayers are paying twice: once to fund the research and again at the pharmacy counter.

The Solution

The TRIP Act requires that any pharmaceutical product developed with federal research funding be subject to a fair market price negotiation. It bypasses the PBM middlemen for taxpayer-funded drugs and requires health insurers to pass savings directly to consumers through lower premiums.

How It Works

1. Fair Pricing at the Source. If federal money helped develop a drug, the Secretary of Health and Human Services negotiates a fair market price before the drug hits the market. The negotiation considers the amount of taxpayer funding, private investment, prices in comparable countries, and the need to preserve innovation incentives. Drugs where taxpayers funded more than half the R&D are capped at 200% of production cost.

2. No More Loopholes at the Lab. Universities and research institutions receiving early-stage federal grants must agree to pricing obligations as a condition of funding — before a drug is anywhere near market. Those obligations follow the intellectual property through every license, transfer, and acquisition. A pharma company can't escape fair pricing by buying the patent from a university.

3. Cutting Out the Middlemen. For any drug subject to a fair price agreement, manufacturers can sell directly to pharmacies, health systems, and consumers at the negotiated price — no PBM required. PBMs are prohibited from imposing clawbacks, rebate requirements, or formulary penalties on these drugs.

4. Savings Go to You. Health insurers must pass at least 80% of the savings from fair pricing directly to consumers through lower premiums or reduced cost-sharing. If they don't, they face audits, civil penalties up to \$100,000 per day, and consumers can sue.

5. Anti-Price-Gouging Protections. Once a fair price is set, manufacturers cannot raise it faster than inflation. Any manufacturer that gouges pays a penalty equal to three times the excess revenue.

What This Bill Does NOT Do

This bill does not set prices on drugs developed entirely with private money. It only applies where taxpayers helped foot the research bill.

This bill does not kill pharmaceutical innovation. It explicitly preserves reasonable returns on private investment and provides simplified procedures for small and emerging biotech companies.

This bill does not eliminate PBMs. It simply removes their ability to inflate costs on drugs the taxpayers already paid to develop.

This bill does not create a government-run pharmacy. It creates transparency and accountability in a system that currently has neither.

Key Facts

Price Cap	200% of production cost for drugs with >50% federal funding
Savings Passthrough	Insurers must pass 80%+ of savings to consumers
PBM Bypass	Direct sales authorized for all covered drugs
Anti-Gouging	Price increases capped at CPI-U; 3x revenue penalty
Early Research	Pricing obligations attach at time of grant award
IP Tracking	Public registry traces every taxpayer dollar to market
Retroactive	Existing taxpayer-funded drugs identified within 2 years
Enforcement	Civil penalties, private right of action, FTC referral

Constitutional & Legal Foundation

This legislation rests on Congress's spending power and its authority to regulate interstate commerce. The federal government has always had the right to attach conditions to the grants it awards. The Supreme Court has consistently upheld the principle that when the government funds research, it can set terms on how the results are used. The TRIP Act extends this principle to ensure that taxpayer-funded drugs are priced fairly for the taxpayers who funded them.

Why This Matters

Americans spend more on prescription drugs than any other country in the world. Families are forced to choose between filling prescriptions and paying rent. Seniors split pills to make their medications last. Meanwhile, pharmaceutical companies post record profits on drugs our tax dollars helped create.

The TRIP Act says: if the American people paid for the research, the American people deserve a fair price on the result. It's that simple.

You paid for the research. You shouldn't have to mortgage your house to afford the cure.
