Taxing Direct-to-Consumer Prescription Drug Advertising Would Protect Access to Care

Position Statement in Support of House Bill 484

Given before the House Ways and Means Committee

Maryland today faces a multifaceted, human-made health care crisis. Up to 175,000 Marylanders are expected to lose Medicaid health insurance under 2025 federal megabill (H.R. 1), and many more face unaffordable costs due to expiring premium assistance. The U.S. Department of Health and Human Services is issuing dubious advice and threatening access to life-saving vaccines. And severe fiscal challenges make it harder for the state government to protect and support Marylanders. Ending corporate tax deductions for direct-to-consumer pharmaceutical advertising would generate much-needed revenue the state could use to protect access to health care. **For these reasons, the Maryland Center on Economic Policy supports House Bill 484.**

Allowing pharmaceutical companies to deduct the cost of direct-to-consumer advertising on their corporate income taxes compromises patients' sources of health care information and leaves on the table revenue that could otherwise support effective public health policies:

- The United States is nearly alone globally in broadly allowing pharmaceutical companies to advertise prescription medicines directly to consumers.[i]
- These advertisements total about $6 billion per year, according to the U.S. Government Accountability Office.[ii]
- While health care decisions should come out of a collaborative, fact-based conversation between patients and their doctors, direct-to-consumer advertising inundates a non-expert audience with information from a highly non-neutral source. In fact, researchers found that more than half of the most emphasized claims in prescription drug advertisements were potentially misleading, and some were outright false.[iii]
- Nationwide, prohibiting deductions for these advertisements may raise upward of $1.5 billion in federal revenue, according to one estimate.[iv]

Ending this deduction at the state level would help Maryland counter simultaneous health care and fiscal threats:

- H.R. 1, the 2025 federal megabill, is expected to take health insurance away from up to 175,000 Marylanders, more than half as many as gained Medicaid coverage under the Affordable Care Act.
- Many are expected to remain eligible but lose coverage due to onerous paperwork requirements.
- Policymakers can use state resources to protect Marylanders from losing coverage, but looming multibillion-dollar deficits make this much harder.
- Between new administrative costs, unbalanced corporate tax breaks, and other harmful provisions, H.R. 1 is expected to cost the state nearly $600 million between FY 2026 and 2031.[v]

For these reasons, the Maryland Center on Economic Policy respectfully requests that the House Ways and Means Committee make a favorable report on House Bill 484.

Equity Impact Analysis: House Bill 484

Bill summary

House Bill 484 would prohibit pharmaceutical companies from deducting the cost of direct-to-consumer advertising of prescription drugs on their corporate income taxes.

Background

- Direct-to-consumer advertising of prescription drugs has been legal in the United States since 1997. Only the United States and New Zealand broadly allow this type of advertisement.
- Nationwide spending on direct-to-consumer prescription drug advertising totaled about $6 billion per year between 2016 and 2018, according to the U.S. Government Accountability Office.
- A 2013 study found that 55% of emphasized claims in a sample of prescription drug advertisements were potentially misleading, and another 2% of claims were false.

Equity Implications

The revenue raised under House Bill 484 would help support public services that open doors to opportunity for all Marylanders, especially those who face economic roadblocks due to centuries of racist policy choices. Corporate income taxes are also among the most equitable parts of our tax code, as built-up assets like corporate stock are overwhelmingly controlled by a small minority of the wealthiest white families.[vi]

The equity gains from House Bill 484 would be especially substantial if the resulting revenue were used to protect Marylanders' access to Medicaid and other sources of health insurance coverage:

- Up to 175,000 Marylanders are expected to lose Medicaid coverage under 2025 federal legislation.
- Medicaid is designed to serve people facing economic hardship, and Marylanders of color are more likely to rely on Medicaid than their white counterparts.

Share of Maryland Residents with Medicaid by Race/Ethnicity, 2019–2023

Race/Ethnicity	Share with Medicaid
White	13%
Black	28%
Latinx	27%
Asian/Pacific Islander	26%
American Indian/Alaska Native	30%
Multiple	23%
Another Race/Ethnicity	21%
Total	20%

Source: MDCEP analysis of IPUMS 2019–2023 American Community Survey microdata.

Impact

House Bill 201 would likely **improve racial and economic equity** in Maryland.

[i] Neeraj Sood, "Should the Government Restrict Direct-to-Consumer Prescription Drug Advertising? Six Takeaways on their Effects," USC Leonard D. Schaeffer Institute for Public Policy & Government Service, 2023, https://schaeffer.usc.edu/research/should-the-government-restrict-direct-to-consumer-prescription-drug-advertising-six-takeaways-from-research-on-the-effects-of-prescription-drug-advertising/

[ii] John Dicken, "Prescription Drugs: Medicare Spending on Drugs with Direct-to-Consumer Advertising," U.S. Government Accountability Office, 2021, https://www.gao.gov/products/gao-21-380

[iii] Adrienne Faerber and David Kreling, "Content Analysis of False and Misleading Claims in Television Advertising for Prescription and Nonprescription Drugs," *Journal of General Internal Medicine 29*(1), 2013, https://pmc.ncbi.nlm.nih.gov/articles/PMC3889958/

[iv] "CSRxP Analysis: Direct-to-Consumer (DTC) Pharmaceutical Advertising Spending, Tax Implications, and Impact on Prescription Drug Costs in the U.S.," The Campaign for Sustainable Rx Pricing, 2025, https://www.csrxp.org/wp-content/uploads/2025/04/CSRxP-Analysis-Direct-to-Consumer-Advertising-Report.pdf

[v] 2025 Spending Affordability Briefing, Department of Legislative Services, 2025, https://dls.maryland.gov/pubs/prod/OperBgt/25_Spending_Affordability_Briefing.pdf
Assumes current law. Decoupling from costly federal tax breaks would reduce this cost.

[vi] Michael Leachman, Michael Mitchell, Nicholas Johnson, and Erica Williams, "Advancing Racial Equity with State Tax Policy," Center on Budget and Policy Priorities, 2018, https://www.cbpp.org/research/state-budget-and-tax/advancing-racial-equity-with-state-tax-policy