



March 2, 2017

The Honorable Chuck Riley  
900 Court St. NE, S-303  
Salem, Oregon 97301

The Honorable Janeen Sollman  
900 Court St. NE, H-487  
Salem, Oregon 97301

Dear Senator Riley and Representative Sollman:

Please oppose HB 2387.

As a business organization representing the voice of the business community in Hillsboro, we know the damage that can be done by misguided and poorly considered regulatory requirements. That's why we are writing to urge you to oppose any legislation that would require biopharmaceutical manufacturers to publicly report information that could end up distorting market dynamics under the guise of so-called "transparency." These requirements ignore and misconstrue key issues relating to the value of medicines and their role in the healthcare system, and would divert resources from the development of innovative new cures.

New regulations should always have a good understanding of the industry they seek to regulate. Otherwise, harm to consumers, industry, and the market is inevitable. Unfortunately, drug price "transparency" bills simply do not pass that test. They fundamentally misunderstand the complex relationship between and impact of drug channel participants on the price a patient ultimately pays for a medicine. In doing so, they could interfere with the market-based environment in which pricing decisions are made. What's more, these bills ignore the robust negotiated discounts, rebates, and patient assistance programs that exist to cut the retail price of drugs. And they fail completely to address out-of-pocket costs for patients, which are set by insurance plans, not manufacturers.

These types of bills fail to consider the enormous value to individual patients and society as a whole that can come from new treatments – value that can't be captured in a simple line item cost. For example, the increase in life expectancy seen since 1980 for cancer patients is due to, in large part, innovative new medicines.<sup>1</sup> Similarly, HIV/AIDS death rates have fallen by almost

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<sup>1</sup> See E. Sun, et al., "The Determinants of Recent Gains in Cancer Survival: An Analysis of the Surveillance, Epidemiology, and End Results (SEER) Database," *Journal of Clinical Oncology*, May 2008 Suppl (Abstract 6616);

80% since 1995, spurred by critical advancements in available medicines.<sup>2</sup> Spending on innovative medicines can actually help decrease overall healthcare spending, noted the nonpartisan Congressional Budget Organization in 2012 (e.g., by decreasing the number of hospitalizations and physician office visits needed).<sup>3</sup> In the example of cardiovascular disease (CVD), research has found that an additional \$1 spent on medicines for adherent patients can save up to \$10 in avoided emergency room visits and inpatient hospitalizations.<sup>4</sup>

Finally, as business organization, we can testify firsthand about the crippling effect burdensome regulatory requirements can have. Developing a new drug can take more than ten years and cost over \$1 billion when accounting for the cost of failures.<sup>5</sup> Often times, the engine of this innovation is small biotech companies with only one or two products. Subjecting these companies to onerous administrative requirements, which are disconnected from the information that patients and doctors actually need to make clinical decisions, will force them to divert scarce resources from research and development activities that can help bring new treatments and cures to market faster.

Because HB 2387 is poorly designed, does nothing to improve the information available to patients and doctors to make critical clinical decisions, and could even hamper incentives for future innovation, we urge you to this bill.

Sincerely,

A handwritten signature in black ink that reads "Deanna Palm". The signature is fluid and cursive, with the first letter of "Deanna" being a large, stylized "D".

Deanna Palm  
President

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also see F. Lichtenberg, "The Expanding Pharmaceutical Arsenal in the War on Cancer," NBER Working Paper 10328, February, 2004.

<sup>2</sup> Center for Disease Control and Prevention, National Center for Health Statistics, Health, United States, 2011 with Special Feature on Socioeconomic Status and Health, Table 35, pp.148-149, available at: [https://www.cdc.gov/nchs/data/11.pdf](https://www.cdc.gov/nchs/data/hus/11.pdf).

<sup>3</sup> Congressional Budget Office (2012). Offsetting effects of prescription drug use on medicare's spending for medical services. Congressional Budget Office Report, Retrieved at <http://www.cbo.gov/sites/default/files/cbofiles/attachments/43741-MedicalOffsets-11-29-12.pdf>.

<sup>4</sup> Roebuck, M. C., et. al. 2011. Medication Adherence Leads To Lower Health Care Use And Costs Despite Increased Drug Spending. *Health Affairs* 30(1):91-99.

<sup>5</sup> DiMasi, J., H. G. Grabowski, and R. W. Hansen. 2016. Innovation in the pharmaceutical industry: New estimates of R&D costs. *Journal of Health Economics* 47:20-33.