

HB 4005 Testimony

Thank You Mr. Chair and Members of the Committee.

For the Record, my name is Eric Lohnes, I am a senior director of state policy for the Pharmaceutical Research and Manufacturers of America (PhRMA).

PhRMA represents the country's leading innovative biopharmaceutical research companies, which are devoted to discovering and developing medicines that enable patients to live longer, healthier, and more productive lives. And we are here today in opposition to House Bill 4005.

The Value of Prescription Medicine

The value of prescription medicine is significant and growing. Since 2000, PhRMA member companies have invested more than \$600 billion in the search for new treatments and cures, including an estimated \$65.5 billion in 2016 alone. Over the past 25 years, prescription medicines have transformed the trajectory of many debilitating diseases and conditions, including HIV/AIDS, cancer, hepatitis, and heart disease, just to name a few. The results have been decreased death rates, improved health outcomes, and better quality of life for patients.

Why We Are Opposed to HB 4005.

The value of medicine, both in terms of its human value, and in terms of its value to the overall health system are often left out of these types of discussions. House Bill 4005 is no exception to this, providing a narrow and distorted view of medicine prices.

In addition to being silent on the value of medicine, House Bill 4005 adds additional burdens and requirements to the health system—additional mandates which provide a skewed view of prescription medicines, and fail to do anything to help patients at the point of sale. Primary among these additional burdens are:

- The manufacturing reporting requirements, and
- The advance notification of price increases for existing and new medicines.

In addition to these, this bill also requires added financial burden to the system by authorizing a regulatory fee on manufacturers to cover the costs of complying with the provisions of this bill.

Manufacturer Reporting Requirement

With respect to the reporting requirements of this bill.

- It establishes reporting requirements that are difficult, if not impossible, to comply with. The reporting fails to take into account:
 - The impossibility of attributing certain costs to a single product.
 - Research activities , construction, personnel, etc.
 - How costs and value are spread over years and decades, not the short snapshot of time provided in the bill.
 - Bringing medicines to market is an effort which is extremely expensive and marked by a high failure rate.
 - The medicines that do make it to market and are successful are what cover the cost of all the attempts that didn't make it to market and are what fuels future innovations.

Additionally, Much of this information is already provided through annual reports and filings with the securities and Exchange Commission.

Advance Notification Requirement

The advance notification requirements included in HB 4005 provide no tangible benefits to patients or government payers, but have a clear downside risk associated with them:

- Advance notifications incentivize speculative purchasing between distributors and dispensers—leading to stockpiling and shortages.
 - Medicines could be stockpiled at a lower cost and sold later at a higher cost.
 - A number of independent sources have verified this fact, including most recently, the State of Washington which highlighted this concern in a report that came out at the end of 2017.

In closing

This bill provides an extremely narrow, over simplified, and distorted view of what is a complicated issue, with a complex supply chain, and various actors. This bill is silent on the value of medicine, and does not address some of the most impactful actors in the supply chain, namely PBMs and Insurance Carriers. Most importantly, this bill does nothing to help patients or save money for patients at the points of sale.

For these reasons we respectfully oppose this legislation, and ask that you join us in doing so as well.

Thank you for your time.