Biotechnology Innovation Organization
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February 2, 2024

The Vermont Senate Committee on Health and Welfare
Virginia "Ginny" Lyons, Chair

Re: Testimony in Opposition of Senate Bill 98: An act relating to Green Mountain Care Board authority over prescription drug costs

Submitted By: The Biotechnology Innovation Organization (BIO)

Dear Chairwoman Lyons, and members of the Committee on Health and Welfare:

The Biotechnology Innovation Organization (BIO) respectfully opposes Senate bill 98, which proposes to authorize and direct the Green Mountain Care Board to evaluate the costs of certain high-cost prescription drugs and recommend methods for addressing those costs, including setting limits on what Vermonters would be expected to pay for some high-cost drugs. The bill would also require the Board to submit a report on generic drugs and generic drug prices.

About BIO

BIO is the world's largest trade association representing biotechnology companies, academic institutions, state biotechnology centers and related organizations across the United States and in more than 30 other nations.

BIO members are involved in the research and development of innovative healthcare, agricultural, industrial and environmental biotechnology products. BIO also produces the BIO International Convention, the world's largest gathering of the biotechnology industry, along with industry-leading investor and partnering meetings held around the world.

Senate Bill 98

This bill does not address the root cause of the problems affecting patients, such as lowering out-of-pocket costs. Imposing government price controls like those proposed by this legislation will jeopardize patient access to innovative biopharmaceuticals.

This bill will not lower prescription drug costs for patients because it does not address out-of-pocket costs. Nearly 90% of patients {1} pay a given price when they visit a pharmacy based on what their health insurer determines. Out-of-pocket costs have been rising for patients because of decisions made by health insurers. Net of rebates and other price concessions, medicine spending grew by only 0.8% in 2020. {2} Despite this fact, many insurers require more and more patients to pay for their drug costs through deductibles and cost-sharing rather than an established copayment, increasing their out of pocket costs. A May 2021 Congressional Research Service report found that insurers are imposing higher levels of cost sharing and forcing some patients, i.e., the chronically ill, to pay a greater financial burden than others.{3} In fact, insurers require patients to pay almost five times more out of pocket for

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prescription drugs than for hospital care. {*4*} In addition, despite receiving significant rebates from manufacturers, "commercially-insured patients pay undiscounted list prices on one in five prescription brand name drugs, accounting for more than half of out-of-pocket spending on brand medicines."{5}

The premise that establishing upper limits does not impose price controls is a false narrative. Whether you call it establishing "Upper Limits" or a price control the effect is the same. This policy still regulates free-market prices and creates a price ceiling based upon a metric from Canadian health system that establishes their prices at a much lower level than in the US. While the legislation tasks the board with establishing a process for setting upper payment limits for certain medications, the bill utilizes arbitrary measures for the selection of such medications and prescribes no process for setting this "limit." The price control scheme is designed around the premise that prescription drug costs have ballooned out of control or are increasing at an unsustainable rate. Yet prescription drugs, including inpatient medicines, have and continue to make up about 14% of national health expenditures—both in the past and projected for the next decade.{6} And medicine spending on a per-patient-per-year basis, adjusted for inflation, grew by less than 1% between 2009 and 2018. {7}

Price controls only disincentivize biopharmaceutical companies from developing new, more effective therapies. Economists have estimated that government price controls can have a significant, damaging effect on the development pipeline. For example, one study found that an artificial 50% decrease in prices could reduce the number of drugs in the development pipeline by as much as 24%,{8} while another study found investment in new Phase I research would fall by nearly 60%, {9} decreasing the hopes of patients who are seeking new cures and treatments.

Price controls will dampen investment and would not allow companies to adequately establish prices that will provide a return on investment. The average biopharmaceutical costs $2.6 billion to bring from research and development to market. {10} Small and mid-sized innovative, therapeutic biotechnology companies which make up most of BIO's membership are responsible for more than 72% of all "late-stage" pipeline activity. {11} They sacrifice millions of dollars, often for decades before ever turning a profit, if at all. In fact, 92% of publicly traded therapeutic biotechnology companies, and 97% of private firms, operate with no profit. *{12}* The overall probability that a drug or compound that enters clinical testing will be approved is estimated to be less than 12%. {13} Only five out of 5,000 compounds become viable marketed products. Pricing must also account for the 4,995 failures before the company discovers that successful drug compound.

Legislative proposals such as these target the most innovative medicines, disproportionately impacting patients with diseases where there is high unmet need and where low-cost treatment options are not available (e.g., rare diseases), running counter to the aims of personalized medicine, and availability of new treatments. Further troubling, the arbitrary nature of upper payment limits ignores the value that an innovative therapy can have to an individual patient—especially one who may

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have no other recourse—or the societal impact innovative technologies can have, including increased productivity and decreased overall healthcare costs (e.g., due to fewer hospitalizations, surgical interventions, and physicians' office visits).

For these reasons, BIO respectfully asks that you oppose Senate Bill 98. Please do not hesitate to contact us for any further information.

Sincerely,

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