



June 23, 2020

Chairman Hank Vaupel
Michigan House Health Policy Committee
Michigan State Capitol
Lansing, MI

Dear Chairman Vaupel and members of the Health Policy committee,

Thank you for considering the comments from the Biotechnology Innovation Organization (BIO) on mandatory public disclosing of drug pricing. BIO is the world's largest trade association representing biotechnology companies, academic institutions, state biotechnology association such as MichBIO, and related organizations across the United States and in more than 30 other nations. Our members, which range from entrepreneurial companies developing a first product to Fortune 500 multinationals, are committed to advancing science and improving the health and well-being of our planet through biotechnology.

Any discussion on drug pricing must include two key topics: (1) what is the out-of-pocket cost to the patient, and (2) what is the savings seen to the remainder of the health care spectrum through the use of biopharmaceuticals. Unfortunately, most discussions on drug pricing ignore both.

Drug costs account for only 14 % of healthcare spending – a percentage which has held steady since 1960, according to CMS. And those dollars yield significant savings. For every \$1 spent on drugs, we achieve \$7.20 in avoided costs by reducing doctor visits and hospital stays.

In the last 15 years, more than 400 new drugs have been approved to treat some of the most difficult diseases, including cancer, MS, diabetes, and Alzheimer's. HIV/AIDS, once a death sentence, is now a manageable chronic disease. Advancements in hepatitis C treatments have virtually cured the disease, and patients can continue to lead productive lives while on treatment as the new medications have few to no side effects. The life-expectancy of children with cystic fibrosis has lengthened by decades.

Proponents of drug pricing transparency bills point to the retail list price for recent breakthrough treatments as evidence that costs are out of control. This ignores the complex pricing structures that exist for both public and private payers that involve negotiated discounts and rebates, as well as robust patient assistance programs.

Finally, proponents of drug pricing transparency imagine a very linear drug development process that simply does not exist. Researchers investigate molecules – not drugs – in the early stages of drug development. Today, 90% of BIO's biopharmaceutical members are pre-revenue companies. That is, they either do not yet have a product to market, or they have a product that has yet to return their R&D expense. Requiring a complex accounting system to track the dollars spent on



thousands of molecules that never become viable therapies is not only cumbersome, but distracts talented scientists from their core task of delivering innovative therapies for unmet medical need in the fastest and safest way possible.

BIO believes that any prescription drug pricing transparency provisions must focus on what matters most for patients. That includes ensuring patients know what their cost-sharing obligations are, how health plans and pharmaceutical benefit managers (PBMs) are using manufacturer rebates, and what prescription drug are available on any formulary. This type of information can assist beneficiaries in determining which health plan most appropriately meet that patient's medical needs.

Thank you for considering our comments in your discussions. BIO is always available to provide additional information and resources.

Respectfully submitted,

/s/

Greg Hoke
Director, State Government Affairs