Biotechnology Innovation Organization

March 2, 2017

The Honorable Mitch Greenlick, Chair
House Health Care Committee
900 Court St NE
Salem, OR 97301

Dear Representative Greenlick:

The Biotechnology Innovation Organization (BIO) respectfully opposes HB 2387, which would enact artificial price caps on innovative biopharmaceutical therapies and establish burdensome reporting requirements for biotechnology companies in Oregon. BIO appreciates the concerns of the Legislature about the cost of health care and we take these concerns seriously, especially regarding the affordability of innovative therapies for patients. However, we have serious concerns with this bill.

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. Our members are committed to advancing science and improving the health and well-being of our planet through the use of biotechnology.

We strongly object to artificial price caps imposed on innovative biopharmaceutical therapies. Of nearly 5,400 clinical programs currently underway globally, 70 percent are led by small companies. These start-ups and small research institutes are the engine of biotech innovation, and they rely heavily on investors to fund their research. With 90 percent of clinical trials ending in failure, investors expect to recuperate losses and a reasonable return on investment. But these calculations are not performed on individual therapies in a vacuum. Indeed, the ROI on successful therapies must make up for the failures as well. Price caps will scare off investors and result in a devastating blow to small biotech companies' ability to secure funding for innovative research.

HB 2387 would also require biopharmaceutical manufacturers to publicly report specified information on the costs to develop and sell innovative therapies, as well as projected profit margins and projected return on investment for new therapies. We have serious concerns with mandated reporting of proprietary information that would harm our members' ability to operate in a competitive marketplace.

The mandated reporting and disclosure requirements proposed by HB 2387 are unduly burdensome, again having a particularly negative impact on small emerging companies. A significant portion of research and development is done by individual scientists, small venture-backed companies, and academic researchers. In the earliest stages of research, scientists investigate broad categories of molecules, painstakingly separating those that might be fruitful to further research from the vast majority that will not. By requiring a series of data points retrospectively, this bill will have the unintended consequence of changing how research is conducted, and will divert scarce resources to accounting activities for research that may never become marketable.

Instead of focusing on science, we will have thousands of highly trained researchers tracking their hours and equipment or parse out how much of their overhead (the electric

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bill, as an example) is attributable to their research on Molecule A versus Molecule B, and so on. The truth is that the vast majority of those molecules will never make it to market—only a fraction of molecules studied make it to the clinical trial stage and 90 percent of those that begin clinical research will ultimately fail. However the reporting guidelines are drafted, a large compliance burden would inherently fall on the small companies conducting very early stage research for new cures. Additionally, some of the data points required in the bill are proprietary and would put biotech companies' research, innovation, and ability to raise capital at risk. For companies that already have products to market and have not tracked some of the data points required in the bill, there may be no plausible means to gather the data after the fact.

The information sought by this bill does not address the value that innovative therapies can have to individual patients, nor does it address the societal impact innovative technologies can have, including increased productivity and decreased overall health costs due to fewer hospitalizations, surgical interventions, and physicians' office visits. Innovative therapies developed by biotechnology manufacturers have saved trillions in avoided health care costs. Yet despite all of the information mandated by this bill about drug costs, HB 2387 completely ignores the avoided health care costs as a result of patients' use of the medicines. For example, a cancer medication may have a high cost but save even more money in avoided hospitalizations, surgeries, and other treatments. Furthermore, despite all the mandated reporting and disclosure requirements in this bill, it does not address the larger societal aim of ensuring that patients get timely access to the innovative therapies most appropriate for them. This bill does nothing to address out-of-pocket costs paid by patients and the impact on patient access to innovative therapies.

BIO members are focused on comprehensive and sustainable solutions to improve patient access to medicines, while maintaining our steadfast commitment to investing in the hard work of innovation. We welcome a holistic debate about the value of innovative medicines, and are committed to exploring how value-based approaches to payment can facilitate smarter healthcare spending. We remain deeply concerned about well-meaning but flawed laws and regulations that stifle this future innovation, scare away investment, and prevent us from delivering new cures to patients in need.

For these reasons, we respectfully urge your no vote on HB 2387. If you have any questions, please do not hesitate to contact me at bwarren@bio.org or (916) 606-8016.

Sincerely,

Brian Warren
Director, State Government Affairs
Western Region

cc: Members, House Health Care Committee