February 22, 2023

The Honorable Deb Patterson, Chair
Senate Health Care Committee
State Capitol, 900 Court St NE
Salem, OR 97301

Dear Chair Patterson and Members of the Committee:

The Oregon Bioscience Association (OR Bio) and Biotechnology Innovation Organization (BIO) respectfully oppose the -1 amendments to SB 404, which would expand the authorities of the Prescription Drug Affordability Board (PDAB). Our opposition focuses mostly on the amendment's creation of authority for the PDAB to establish upper payment limits (UPLs) for specified prescription drugs. As mandated by 2021's SB 844, the PDAB studied options for lowering the cost of prescription drugs and is recommending that the Legislature provide the board with UPL authority despite *no evidence that this will benefit patients*.

The lack of evidence for a UPL's benefits is a result of the simple fact that no state has ever implemented a UPL. Put simply, the UPL as devised in the -1 amendments is a pricing experiment with many possible unintended consequences and even more unknown impacts. Two other states have PDABs like Oregon's that have UPL authority (Maryland and Colorado), but neither state has established a UPL.

Moreover, a UPL will not lower prescription drug costs for patients because it does not address out-of-pocket costs. Patients pay a given price when they visit a pharmacy based on what their health insurer determines—it is for this reason why two patients will pay a different price for the same drug. Out-of-pocket costs have been rising for patients as a result of decisions made by health insurers. The UPL does not address the price patients pay out-of-pocket and will therefore not directly impact patient affordability for prescription medications.

Unfortunately, artificial price controls will make it harder for biopharmaceutical companies to develop 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%,[1] while another study found investment in new Phase I research would fall by nearly 60%,[2] 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.[3] Small and mid-sized innovative, therapeutic

[1] Maloney, Michael T. and Civan, Abdulkadir. *The Effect of Price on Pharmaceutical R&D* (June 1, 2007). Available at SSRN: https://ssrn.com/abstract=995175 or http://dx.doi.org/10.2139/ssrn.995175
[2] Vernon, John A., and Thomas A. Abbott, "The Cost of US Pharmaceutical Price Reductions: A financial simulation model of R&D Decisions," *NBER Working Paper*. NBER, February 2005. https://www.nber.org/papers/w11114.pdf Accessed: April 18, 2019.
[3] DiMasi, JA, et al., Innovation in the pharmaceutical industry: New estimates of R&D costs. Journal of Health Economics. February 12, 2016.

biotechnology companies who make up most of OR Bio and BIO's memberships are responsible for more than 72% of all "late-stage" pipeline activity.[4] 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.[5] Out of thousands of compounds only one will receive approval. The overall probability that a drug or compound that enters clinical testing will be approved is estimated to be less than 12%.[6] 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.

For these reasons, we respectfully urge your no vote on SB 404-1. If you have any questions, please do not hesitate to contact us to discuss this further.

Sincerely,

Liisa Bozinovic
Executive Director
Oregon Bioscience Association

Brian Warren
Senior Director, State Government Affairs
Biotechnology Innovation Organization

[4] "The Changing Landscape of Research and Development: Innovation, Drivers of Change, and Evolution of Clinical Trial Productivity," IQVIA Report, April 2019.
[5] Ibid.
[6] Biopharmaceutical Research and Development, The Process Behind New Medicines. PhRMA, 2015. http://phrma-docs.phrma.org/sites/default/files/pdf/rd_brochure_022307.pdf