MassBio
MASSACHUSETTS BIOTECHNOLOGY COUNCIL

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Joint Committee on Healthcare Financing

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On behalf of MassBio, our Board of Directors and our member organizations, thank you for allowing me to express and explain our opposition to Senate Bill 1048.

MassBio currently represents more than 750 life sciences companies, academic institutions, service providers and patient organizations—the majority of which are directly engaged in the research, development and manufacturing of innovative products that solve unmet medical needs for patients around the world.

MassBio's member companies are focused on finding cures for some of the most scientifically vexing and medically devastating diseases of our time. By way of just one example, Massachusetts is home to Alnylam, a company using cutting-edge RNAi techniques to find treatments for severe genetic and rare diseases. Earlier this year, the company announced it will develop a 130,000 square foot manufacturing facility in Norton, Mass. and hire approximately 150 new full-time employees for well-paying jobs across all skill levels. This facility will transform 12 acres of undeveloped land into a state-of-the-art site manufacturing early stage products for use in clinical studies and, following regulatory approval, for commercial use. And most importantly, the construction of the facility here in the Commonwealth marks a milestone in getting new, breakthrough treatments to patients.

We're also proud of home-grown companies like Biogen, which is pushing hard to solve the mysteries of Alzheimer's disease, a disease expected to afflict 15 million Americans by 2050 without any effective interventions.

And I personally am grateful to Boston-based Vertex Pharmaceuticals, which has spent billions of dollars in an effort to cure cystic fibrosis, a disease which threatens to take my 13-year-old son Bobby. After more than two decades of losing money, Vertex has now brought to market treatments that help almost half of CF patients. Unfortunately, that doesn't include Bobby, and I come to work every day to make sure that companies like Alnylam, Biogen, Vertex and hundreds of others, can focus on the research required to find that very next cure.

That's why we oppose Senate 1048, a bill written and pushed forward by the health plans not just here in Massachusetts but around the country. The real purpose of the bill is to confuse the conversation about healthcare costs and outcomes. Its main goal is to focus attention on a snapshot of upfront costs for innovative and breakthrough therapies that, in the longer term, can not only save money in the health care system, but immeasurably improve patients' lives. And Senate Bill 1048 does this with the side effect of needlessly raising the administrative burden on the innovative companies responsible for much of the Commonwealth's economic growth today and in the future. In the end, it won't help patients one bit.

MassBio's members agree that the current healthcare system—one that allows the newest, most effective medicines to be placed on the most expensive tiers requiring growing out-of-pocket payments from our sickest patients—needs to be fixed. We are mindful of the fiscal impacts of new and innovative medicines on strained budgets.

However, Senate Bill 1048 does nothing to address either problem. Instead, it mandates the collection of information payers want you to believe should be sufficient for measuring reasonable pricing, but in fact provides an incomplete picture of true healthcare cost while also creating potential additional barriers to patient access. Senate Bill 1048 would impose a very real and unreasonable burden on innovative companies with no public benefit—and in the process will stifle investment in research, jeopardizing the discovery of the next generations of treatments, and harming patients in a very real way.

First, this legislation does not meaningfully arrive at true drug production cost information. For example, S1048 requires only the disclosure of R&D costs that can be tied to a particular drug that has reached the market. In doing so, it ignores the fact that a large portion of pharmaceutical research and development costs do not lead to a commercialized drug. In this way, the information required to be submitted under the legislation significantly understates true R&D costs.

Next, supporters of S1048 will claim it is designed to achieve health care cost savings in the Commonwealth. However, its focus on upfront drug costs-- without any consideration given to downstream cost savings or costs avoided—cannot result in any meaningful information for policymakers about the true impact of drug costs on total healthcare spend. This is because nothing in S1048 requires an examination of costs avoided downstream through the use of drugs resulting from cured diseases, decreased hospitalizations and reduced chronic care costs. If the legislation were truly designed as a meaningful cost control initiative helpful to an examination of true health care cost expenditures, it would need to consider these savings.

Third, the legislation would impose an unreasonable burden on companies, particularly the small and growing companies that are the fuel for our supercluster. We offer a regulatory landscape that is favorable not only to large commercialized companies, but also to smaller start-ups inventing life-saving cures for the future. S1048 would require small companies researching new molecules or compounds with limited resources to collect all costs associated with R&D and other cost categories for drugs that may one day reach the market. Small biotech companies are not structured to collect such data, either practically or financially, and requiring them to do so would have a chilling effect on their ability to thrive in Massachusetts.

Finally, there is a significant question whether S1048 would be enforceable if enacted. The bill would allow the Commonwealth the authority, for the first time ever, to cap prices of drugs considered to be unreasonably expensive – all based on entirely inapplicable and incomplete data. Federal courts have struck down state efforts intended to control prescription drug prices, and we believe S1048 would face the same challenges if passed.

While these debates continue, Massachusetts companies are making leaps and bounds in science. Every significant new technique or advancement—from gene editing to nanotechnology to use of the microbiome—is happening within our borders. 50 percent of treatments in the drug development pipeline are considered personalized medicine -- treatments targeted at very specific populations based on their genetic makeup. Science is becoming more sophisticated, and will allow us to target specific genetic abnormalities of specific cells in the body. It is important to remember that these medicines are now being approved for and prescribed to patients only where science shows there will be a positive impact through improved efficacy and the reduction of overall healthcare costs.

In many cases, new treatments and cures also mean fewer additional doctors' visits, surgical procedures and other healthcare expenditures down the road. This is proven true in the case of the much-maligned new hepatitis C therapies. Once the hysteria and headlines died down, a panel of doctors and experts assembled by the American Association for the Study of Liver Diseases and the Infectious Diseases Society of America found that when you weigh the price and the health benefits, the innovative treatments—CURES—are cost effective.

In fact, despite all of the focus the insurance industry has directed at drug costs through this and similar legislation filed across the country, the fact is that drug costs have historically amounted to 10 percent of the overall cost of healthcare. In fact, prescription drug spend as a percentage of overall health care spending has remained level since the 1960s, and is projected to remain near that level well into the future. Going forward, CMS has actually lowered the projected prescription drug spending growth rate for Medicare and Medicaid programs to 5.9% through 2022.

While data reported by the health plans from 2015 does show a recent increase in prescription drug spending, experts expect those increases to be somewhat of an anomaly. In fact, PBMs including Express Scripts and CVS Caremark have cut their expected spending growth figures in half when projecting 2015 total spend last month.

We cannot base long-term policy initiatives on one-year snapshots of upfront drug costs and expect to solve any problems. We must shift our perspective, and the incentives in the healthcare system itself, to a longer horizon that can capture complete measures of cost, value and patient outcomes. Many of our member companies are working to do just that—piloting value-based pricing models and pay-per-performance agreements. We must encourage all stakeholders to explore more creative solutions.

Massachusetts is at the leading edge of this seismic shift in healthcare, and we must contemplate and adopt policies that support innovation.

I am proud to represent companies, researchers and executives who have already lined up to be part of the solution to rising healthcare costs. Whether it's exploring new models for more efficient R&D, piloting innovative pricing models, or working directly with patients to define desired outcomes and endpoints, we are committed to our shared mission—to rid the world of disease.

However, Senate Bill 1048 does nothing to further these collective efforts. Instead, it unnecessarily complicates the drug development process and needlessly diverts resources that are better spent on research for new treatments and cures. We need to find a better way.

We look forward to continuing to work with the Committee to ensure patients in the Commonwealth and around the world have access to the therapies they need to live, work and play. We are happy to answer any questions or provide additional information at your request.