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Massachusetts Biotechnology Council
300 Technology Square, Eighth Floor
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**Written Testimony of Robert K. Coughlin
President & CEO, MassBio
Joint Committee on Health Care Financing
April 11, 2019**

OPPOSITION:

HB 629, HB 1016, HB 1133, HB 1148, HB 1154, HB 1162, HB 1167, HB 1193 HB 3551, HB 1167, SB 552, SB 696, SB 706, SB 712

Dear Chairwomen Friedman and Benson,

On behalf of MassBio, our Board of Directors, and our 1,100+ members, thank you for the opportunity to offer comments on the range of drug pricing bills heard before the Committee on April 11th.

MassBio and our members companies fully recognize the high level of interest inside the State House, and by your constituents, to “do something” on drug pricing. We also believe that serious, workable solutions do exist. In fact, for more than three years, MassBio has worked pro-actively with the Massachusetts Legislature to identify appropriate solutions to the drug pricing debate. During the 2017-2018 session, we offered transparency legislation we believed would effectively call out bad actors in the system and protect patients from unnecessary costs. Additionally, we, along with our national colleagues, worked directly with the House and Senate to develop similar transparency proposals to include in the omnibus healthcare reform bill. The biopharma industry is bringing serious ideas to the table and will continue to do so.

However, we have very serious concerns about the bills on this topic before your committee. Specifically, the majority of these bills would allow some form of government price setting for prescription drugs. Whether this is called an upper payment limit, a price cap, a value-based price, or similar, each proposal would give state government the authority to decide how much a drug manufacturer can charge for its product.

We strongly oppose government price controls on prescription drugs for three reasons:

- 1) Price setting is completely anathema to innovation, especially for the world-leading Massachusetts biotech cluster. If companies developing the next breakthrough therapy or cure are not adequately rewarded for their innovation, the research and development will not happen in the first place. The biotech industry in Massachusetts is largely small and medium sized companies (<100 people) that are working on the most cutting-edge science. They are making extremely risky bets that their science will translate to a product that works effectively for sick people. Unless they have a product on the market already, none of them are making a profit. Their ability to operate is funded solely by investment, generally private investment. These investors will not continue to invest at the same rate in the biotech industry if government starts setting a ceiling for drug prices.

- 2) Negotiation for drug prices is already happening in the marketplace. Health insurers (payers) have a variety of tools to drive discounts on drug prices. In fact, payers are very successful in reducing the price paid for drugs. MassHealth, for example, receives an average of a 52% discount on a drug's list price.
- 3) No state, and in fact no private entity, has established a methodology for prescription drug value assessments that is accepted by all healthcare stakeholders (patients, providers, payers, and biopharma, among others.) It's inconceivable to us that a Massachusetts government entity has the experience and expertise necessary to establish "fair" valuations for prescription drugs that would be required to set a non-arbitrary upper price limit or otherwise.

More broadly, we oppose the bills before you because they don't do anything to reduce patients' out of pocket costs for prescription drugs. For consumers, the "high price" of prescription drugs is more often than not due to their experience at the pharmacy counter paying significant co-pays, cost sharing, and deductibles set by their health insurance plan. There seems to be a running assumption that legislation designed to reduce drug prices (through price controls and otherwise) will result in lower out of pocket costs to patients. Yet, even proponents of these bills cannot explain if or how that will happen. True, meaningful transparency must address what patients' out of pocket costs are for drugs, how those out of pocket costs relate to a payer's receipt of discounts and rebates on that drug, and how payers make formulary decisions such as tiering, prior authorization, and step therapy. This type of information would allow consumers to better compare plans and payers and determine which best suits their needs.

As the Committee engages in further debate on this issue, we look forward to working collaboratively to find appropriate solutions. These solutions must always start with protecting patient access to breakthrough therapies and should never punish companies who develop high-value drugs that improve a patient's quality of life while saving costs in the healthcare system.

We are happy to answer any questions or provide additional information at your request.

Sincerely,

A handwritten signature in black ink that reads "RK Coughlin". The signature is written in a cursive, flowing style.

Robert K. Coughlin
President & CEO, MassBio