December 10, 2019

To: California Congressional Delegation
Re: Opposition to H.R. 3, the Lower Drug Costs Now Act

On behalf of Biocom and California Life Sciences Association (CLSA) – the associations representing the innovative life sciences community of California – we write to convey our deep concerns with and opposition to H.R. 3, the Lower Drug Costs Now Act. This legislation is scheduled for a vote by the House of Representatives as early as Wednesday, December 11, 2019. Biocom and CLSA oppose this misguided legislation that puts California patients and jobs at risk, and we urge Members to vote NO.

As you may know, California’s over 3,400 biomedical and life sciences companies directly employ over 267,000 people throughout the state, representing more than 15 percent of the total U.S. biopharmaceutical workforce, and truly leading the world in life sciences research and development.¹ The work conducted by California’s innovative companies and research institutions has led to groundbreaking therapies and technologies to diagnose, treat, and prevent conditions such as diabetes, arthritis, cancer, cardiovascular disease, chronic pain, hepatitis, HIV/AIDS, and Parkinson’s disease.

The legislation’s sponsors assert that the bill will lower prescription drug costs for America’s seniors with little impact on future innovation in new medicines. We strongly dispute this assertion. In its preliminary economic analysis of Title I of H.R. 3, the non-partisan Congressional Budget Office (CBO) itself estimated that H.R. 3 “would lead to a reduction of approximately 8 to 15 new drugs coming to market over the next 10 years.”² However, a recent analysis by the international economic firm Vital Transformation shows that H.R. 3 would fundamentally alter and disrupt our nationwide life sciences ecosystem that has driven the development of innovative medicines for millions of patients worldwide. Further, H.R. 3 would uniquely and disproportionally harm California’s innovation ecosystem, which leads the world in the research and development of life-saving treatments and cures and is a vital contributor to the state’s economy.

Indeed, the Vital Transformation study shows that by importing international reference pricing (a.k.a. foreign price controls) into the Medicare Part D program, H.R. 3 would cause a 58 percent reduction in industry revenue, significantly reducing the investment capital available

¹ Investment, Innovation and Job Creation in a Growing U.S. Bioscience Industry. TEconomy/BIO, April 2018.
for partnerships and licensing agreements with emerging companies, and therefore lead to an 88 percent reduction in new medicines developed by small U.S. biotech companies.\(^3\)

If H.R. 3 had been in effect from 2009 to 2019, the study shows that California’s emerging companies would have brought just three new drugs to market, instead of 25. Higher risk therapeutic areas would suffer the most because of the high investments necessary and the uncertain economic returns on areas where patient populations are limited and/or the science is less advanced. H.R. 3 would also cost an estimated reduction of 24,000 biotech research and development (R&D) jobs in California alone. It should be noted that the life sciences industry was one of the few industries to see job growth in California during the last economic recession.

In addition, a recent White House Council of Economic Advisers (CEA) report suggests that should H.R. 3 become law, at least 100 new therapies would not be developed, and life expectancy could likely decrease by four months.\(^4\) The CEA report also estimates that long-term health costs will rapidly increase as curative therapies go undeveloped, resulting in additional health spending in institutional and long-term care.

It is also likely that H.R. 3 would force states to share a more significant burden of Medicaid spending than current levels. The Office of the Actuary at the Centers for Medicare and Medicaid Services (CMS) estimates that Medicaid spending will increase by $4 billion from 2020 to 2029. Since Medicaid is a joint federal and state healthcare program, the Office of the Actuary estimates that federal spending will increase by $2 billion, while the rest of the increased spending will be borne by the states. The results of the Medicaid analysis under H.R. 3 indicate that savings from lowered prices through the implementation of international reference pricing (a.k.a. foreign price controls) will be outweighed by the Medicaid and inflationary rebates also being lowered, thus resulting in a net increase in drug expenditures.

Our organizations, and our State, are not alone in our concerns. Earlier this fall, 44 state and regional life sciences associations from 41 states and territories across the U.S. wrote to Congressional leadership to urge against implementing international reference pricing as a solution for lowering drug costs.\(^5\) The cosigners ranged from states and regions of the country with established life sciences communities, to those with emerging biomedical innovation ecosystems working to attract capital investment and support entrepreneurship to build the companies and therapies of the future. All these state organizations agree: foreign price controls would consequentially threaten patient access and choice and cede America’s global leadership in biomedical innovation.


Distinguished Members of the California Congressional Delegation, providing relief to patients from unaffordable out-of-pocket costs for prescription drugs is a critical challenge for our nation, and our organizations, and our members, are committed to being part of the solution to address it. However, we must also ensure that incentives still exist to spawn future innovation so that patients and their families still have hope for future treatments and cures, especially in areas of unmet medical need. While the estimated impact of H.R. 3 on new drug development ranges widely across numerous studies, the fact is that H.R. 3 will create barriers for future investment in innovation, and H.R. 3 will prevent new drugs from coming to market.

Unfortunately, California’s ability to continue to produce the next generation of breakthrough medicines is threatened by H.R. 3 and we oppose this bill. As such, we ask that you oppose this harmful legislation and vote NO when it is brought to the Floor.

Should you have any questions about our views, please contact Laure Fabrega, Biocom’s Director of Federal Policy and Government Affairs (lfabrega@biocom.com) or Jenny Nieto, CLSA’s Vice President of Federal Government Relations and Alliance Development (jnieto@califesciences.org).

Thank you for considering our views. We stand ready to work with you on future legislation that will support California’s continued leadership in life sciences innovation and meaningfully deliver affordable, accessible and innovative therapies for patients who need them.

Sincerely,

Joe Panetta
President and CEO
Biocom

Mike Guerra
President and CEO
CLSA