



## **CBSA Concerns with Senate Bill 175, Prescription Drug Affordability Review Board**

Senate Bill 175 would create a prescription drug affordability review board in Colorado. The 5-person board would be appointed by the Governor and charged with collecting prescription drug pricing information and determining which prescription drugs must undergo an affordability review. If the board determines that use of a drug is unaffordable for Colorado consumers, the board would have the authority to set an upper payment limit for all purchases or payer reimbursements of the prescription drug dispensed or administered to individuals in the state in person, by mail, or by other means. Any savings generated for a health insurance plan by an upper payment limit must be used to reduce costs to consumers.

**CBSA strongly opposes the upper payment limit (UPL) provisions of Senate Bill 175.** State-mandated payment limits would:

- Adversely impact health care providers in our state
- Limit patient access to the very medicines subjected to the UPL
- Diminish the ability of Colorado life sciences companies to raise money to fund research, development and commercialization of new therapies

### **1. Upper payment limits could jeopardize patient access and reduce the availability of medicines for Coloradans.**

Many healthcare providers, including oncologists, pulmonologists, hospitals and pharmacies, testified in the Senate Health & Human Services Committee that they may not be able to provide medicines that have a state-mandated upper payment limit. The lower reimbursement rate may not cover the cost of administering or dispensing the drug or the cost of purchasing the drug from an out of state supplier. It is unlikely physicians, hospitals and pharmacies will provide these therapies at a loss. CBSA shares the goal of improving the affordability of medicines, but state-mandated upper payment limits could unintentionally make it harder for Coloradans to get those medicines.

This would likely have the greatest impact on rural and underserved communities, where patients already have limited options to receive physician-administered therapies or pick up a prescription. Small, independent medical practices or pharmacies that serve rural communities may not be able to absorb the financial loss and stay in business.

### **2. Price controls like upper payment limits could significantly reduce investment in life sciences innovation.**

Price controls, like the proposed upper payment limit in Senate Bill 175, will discourage the development of new, innovative therapies and make it harder for Colorado life sciences companies to raise capital that funds R&D and the commercialization of new medicines.

Colorado's growing life sciences ecosystem includes over 720 companies, organizations, and research institutions and directly employs over 32,000 Coloradans.

The ecosystem is largely comprised of startups and early-stage companies without a single product on the market. These emerging companies are developing truly novel platforms and therapies.

- A recent report by IQVIA showed that emerging biopharmaceutical companies account for over 70% of the total late-stage R&D pipeline and are responsible for almost two-thirds of the patents for new drugs launched in 2018.<sup>1</sup>

Life sciences companies take on extraordinary risk and significant investments to fund their R&D, with the hope that one compound or therapy will advance. Most will fail.

- The overall chance that a drug entering clinical development will be approved by the FDA is just under 12 percent.<sup>2</sup>

Life sciences innovators rely heavily on angel investors, venture capitalists and partnerships with larger companies to provide the capital needed to fund their R&D and clinical studies.

- On average, it takes 10 – 12 years to bring a new drug to market and costs an estimated \$2.6 billion, when taking into account all the development projects that fail.<sup>3</sup>

If states start imposing price constraints on the few new drugs that make it to market, it will create additional regulatory uncertainty for investors and devastate the flow of capital that fuels biomedical innovation. Investors will dedicate their capital to lower-risk ventures with a better return.

Price controls will have the biggest impact on the most innovative treatments, such as diseases where there is high unmet medical need and the risk of failure is greatest (ie. rare diseases, neurology, oncology).

### **Studies show that price controls significantly reduce biopharmaceutical innovation.**

A brand [new study conducted by the health economics firm Vital Transformation](#) analyzed the impacts of a federal proposal (H.R. 3) that uses the average of pricing in other countries to control US drug prices.

The study found that if H.R. 3 had been in effect over the past 10 years, it would have:

- Reduced earnings by 62% on average for impacted companies, with one-third of affected companies having reductions larger than 95% of earnings;
- As a result, markedly reduced biopharmaceutical companies' investments in smaller company R&D through M&A, partnerships and other arrangements;
- Reduced the number of medicines developed by small and emerging biotech by 90% -- 61 fewer medicines over 10 years;
- Disproportionately impacted new treatments in rare diseases, oncology and neurology;
- Created large investment ecosystem losses to small companies in 19 states, including Colorado;
  - For Colorado, it would have created an investment loss of over \$11 billion.
- Eliminated nearly 200,000 biopharmaceutical industry jobs and nearly 1 million jobs across the economy.

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<sup>1</sup> The IQVIA Institute. (2019). *The Changing Landscape of Research and Development: Innovation, Drivers of Change, and Evolution of Clinical Trial Productivity*. <https://www.iqvia.com/insights/the-iqvia-institute/reports/the-changing-landscape-of-research-and-development>

<sup>2</sup> DiMasi JA, Grabowski HG, Hansen RA. *Innovation in the pharmaceutical industry: new estimates of R&D costs*. *Journal of Health Economics* 2016; 47:20-33.

<sup>3</sup> Ibid.