

Testimony of Paul R. Pescatello, JD, PhD, Chair, Connecticut Business and Industry Association Connecticut Bioscience Growth Council

**before
Finance, Revenue and Bonding Committee of the Connecticut General Assembly**

April 20, 2015

**S.B. No. 1130
An Act Implementing a Tax on Narcotic Substances and Controlled Substances and Providing Funding for Regional Opioid Abuse Prevention and Treatment Programs**

CBIA represents more than 10,000 employers throughout the state of Connecticut ranging from one-person businesses to large corporations. The majority of our members have fewer than 25 employees.

The Connecticut Bioscience Growth Council is a committee of the CBIA's biotech and biopharma members. It was formed as a means to foster collaboration both among Connecticut biotech and biopharma companies themselves and, just as importantly, *with* our state. A key goal of the CBIA Connecticut Bioscience Growth Council is to work with executive branch agencies and the General Assembly to help ensure that the state's investment in the life sciences proves to be a foundation for Connecticut's 21st century economy.

The Connecticut Bioscience Growth Council is opposed to S.B. No. 1130, An Act Implementing a Tax on Narcotic Substances and Controlled Substances and Providing Funding for Regional Opioid Abuse Prevention and Treatment Programs.

S.B. 1130's core policy – to reduce and treat opioid abuse – is sound but its means are complex, unprecedented and conflict with federal law, creating unintended consequences and rendering it unworkable. As noted at the conclusion of this testimony, there is an alternative and more effective means to address opioid abuse pending before the General Assembly.

S.B. 1130 would impose a 6.35% tax on the gross sales receipts held by manufacturers of "narcotic" or "controlled" substances. In addition to the existing and substantial federal and state regulatory burden of such manufacturers, S.B. 1130 would require them to register with and submit quarterly gross receipts tax returns to the Commissioner of Revenue Services. The tax collected would be held in the General Fund to fund Department of Mental Health and Addiction Services programs for opioid abuse prevention and treatment.

Levying a biopharma-specific tax would be unprecedented and counterproductive to our state's investment in and comprehensive set of policies designed to encourage growth of life sciences-related industries. Moreover, because federal law prohibits states from taxing medicines sold pursuant to Medicare Part D, S.B. 1130 would necessarily create the need for a complex and unfair system of taxation – a system where some patients' medicines were free of its tax while others were disproportionately subject to it.

Though S.B. 1130 is nominally a tax on manufacturers, it is difficult to imagine that other parties, especially the retail pharmacies that fill patients' prescriptions, would not be integral to collection of the bill's tax. Only retailers have the information identifying which patients are and aren't covered by Medicare Part D.

How such patient-identifying information would be used without violating the privacy and security provisions of the Health Insurance Portability and Accountability Act (HIPAA) is not addressed by S.B. 1130.

Fortunately, there is an alternative to creating a new tax to combat opioid abuse and treat opioid addiction. The Connecticut bioscience industry has invested billions of dollars into research and clinical development to create a breakthrough innovative class of abuse deterrent opioids. Abuse deterrent opioids work in various novel ways to deliver effective pain relief while blocking methods for abuse. Some are physical or chemical barriers; others add compounds to interfere with euphoric effects. The fundamental feature of the new medicines is that they are effective at preventing opioid abuse and treating patients with opioid addiction.

The studies that have been done to date indicate that abuse deterrent opioids show a 41% decrease in opioid abuse among all individuals. In addition, healthcare costs are shown to decrease by approximately \$10,000 per patient for opioid-abuse related services (as a result of less opioid abuse). Hospitalizations, substance abuse treatment services, emergency department visits and outpatient visits – all decrease substantially with the introduction of abuse deterrent opioids.

The Food and Drug Administration has specific guidelines applicable to the labeling of abuse deterrent opioids. These guidelines provide that in order to claim abuse deterrent qualities in an opioid medicine, the medicine must actually have a measurable impact on abuse in patients. Since release of that FDA guidance, study data has been submitted for four new abuse deterrent opioid medicines and, based on the findings in those studies, the medicines have received FDA approval for labels indicating the medicines are expected to “result in a meaningful reduction in abuse.”

Another bill under the General Assembly’s consideration, S.B. 21, would authorize a study of abuse deterrent opioids. This bill’s current language modifies the original draft, which would have allowed for coverage of abuse deterrent opioids on a basis no less favorable than for non-abuse deterrent opioids. As noted, the studies have been done and show definitively the value of abuse deterrent opioids; there is no need for another study. Restoring S.B. 21 to its original language would help meet the same policy outcomes as S.B. 1130 helping patients without burdening biopharma companies with an essentially unworkable new taxation mechanism.