

**Testimony Presented to the
Insurance and Real Estate Committee of the Connecticut General Assembly**

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S.B. No. 24

**An Act Establishing Standards and Requirements for Insurers' Drug Formularies,
Requiring Disclosure of Certain Health Insurance Plan Information for Consumer
Comparison Purposes, and Requiring the Connecticut Health Insurance Exchange and
the Insurance Department to Evaluate Health Insurers' Compliance with the Affordable
Care Act**

Good afternoon Senator Crisco, Representative Megna, Senator Hartley, Representative Zoni, Senator Kelly, Representative Sampson, members of the Insurance and Real Estate Committee.

I'm Paul Pescatello, here today as President/CEO of the New England Biotechnology Association.

New England Bio is an association of New England biotech and biopharma companies and organizations.

It was formed as a means to foster collaboration both among New England biotech and biopharma companies themselves and, just as importantly, *with* the New England states, including of course, Connecticut. As you know, Connecticut – *this* General Assembly – has chosen wisely to invest in the life sciences as a foundation for Connecticut's 21st century economy and as a means to create a broad spectrum of jobs.

The strides we have made in regenerative medicine and stem cell research and the research and economic development already being accomplished by Jackson Labs, names only a few of the dividends generated by this Connecticut investment.

I am here today to speak in support of what New England Bio views as the core concept of Senate Bill 24 – An Act Establishing Standards and Requirements for Insurers' Drug Formularies, Requiring Disclosure of Certain Health Insurance Plan Information for Consumer Comparison Purposes, and Requiring the Connecticut Health Insurance Exchange and the Insurance Department to Evaluate Health Insurers' Compliance with the Affordable Care Act.

That concept is support for patient access to life saving, innovative, medicines for which there is no alternative substitute medicine.

I want to stress that we are not supporting the bill as it is now drafted with undefined and unclear language, including phrases such as requiring health insurers to make "certain changes," and provide "certain information." Also, the aim of calling on the Connecticut Health Insurance Exchange and the Connecticut Insurance Department to "evaluate" health insurers' compliance with the Affordable Care Act is not stated and would be duplicative of many, many other Affordable Care Act compliance analyses and reviews.

What differentiates the biopharma industry significantly from others is the huge research and development investment that must be made to bring a new medicine from concept to pharmacy shelves. The investment is great not only in terms of dollars – it takes approximately \$1.5 billion to bring a medicine to the market – but also time. New medicine development takes between 10 and 15 years.

Those investments of time and treasure are borne by industry. If we want this 21st century innovation keystone industry to thrive and produce more new medicines we must recognize how important access to such medicines is.

The justification for complicating access to innovative new medicines is a misconception, an urban legend really, that reduced access reduces healthcare costs.

This is far, far from the truth. New, innovative medicines, are the way out of, not the cause, of the healthcare cost crisis.

As costly as new medicines may seem, they are far cheaper than the alternatives – surgeries, hospitalizations, home healthcare aides, and the like. Despite periodic media melodrama about the price of a new medicine, the cost of medicines as a percentage of the overall healthcare expenditures has remained remarkably stable at 10% - since World War II; for 70 years.

Consider H.I.V. medications, some developed here by Bristol Myers-Squibb in Connecticut. They have made a costly terminal disease – treated with years of Emergency Room visits and hospitalizations – into a chronic condition. These life saving drugs have given patients' their lives back and put people in the prime of their lives back into the workforce.

I will close with a comment about the very current drama over the new class of hepatitis-C medicines. These new medicines, while seemingly expensive, cure hepatitis C and are far cheaper than the hospitalizations and liver transplants they replace.

Malcolm Gladwell, author of *Blink*, *The Tipping Point* and *Outliers*, writing about Gilead's new hepatitis-C medicine, Sovaldi, notes in a recent *New Yorker* article:

"A 2013 study published in the journal *Hepatology* estimated the lifetime health care costs of the average hepatitis-C patient . . . at more than two hundred thousand dollars. The drug regimens that came before Sovaldi didn't work very well and had terrible side effects." . . . [An analysis for the state of California concluded] . . . "Each of these hepatitis C pills costs \$1,000. That's actually a great deal." . . . "Sovaldi targets a painful and costly disease with a substantially cheaper, safer and more effective one-time cure. This is what we *want* drug companies to do."

I would be happy to answer any questions you may have or to expand upon any points made in my testimony.

Thank you.