

“Creating new drugs through biotechnology is at the risky end of a business in which superhuman stamina and bottomless pockets are minimum requirements.”

—The Economist Magazine



Biotechnology

*Saving Lives
& Transforming
Healthcare in the
21st Century*



It is an important and exciting time for our industry.

Science is galloping forward and we are on the cusp of the next generation of medical breakthroughs that will benefit patients and society for decades to come. But short-sighted and outdated laws, regulations, and insurance policies can stifle this future innovation, scare away investment, and prevent us from delivering new cures to patients in need. *That's why it's important that we set the record straight!*

Protecting future medical breakthroughs by promoting smart public policy and rational public discourse requires all of us to do our part to educate the public and elected officials about what we do, the risks and benefits it involves and what is needed to bring the next generation of new cures and treatments to the people who need them most.

BIO members are focused on comprehensive and sustainable solutions to improve patient access to medicines, while maintaining our steadfast commitment to investing in the hard work of innovation. We welcome a holistic debate about the value of innovative medicines, and are committed to exploring how novel value-based approaches to payment can facilitate smarter healthcare spending. And to succeed in this endeavor, it is critical for other segments of the healthcare system to keep pace with the innovations occurring across our industry.



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Setting the record straight on the cost and value of drugs

Our innovations are transforming patient outcomes:

- ❖ **Hepatitis C** – a once incurable disease that now has **cure rates above 90%**;
- ❖ **HIV/AIDS** – once a death sentence, it's now a chronic **manageable** condition;
- ❖ **Cancer** – **83%** of children with cancer now **survive**, compared to 58% in 1970; and
- ❖ **Vaccines** – **more than 730,000** children's lives have been **saved** in the last 20 years in the United States because of advances in vaccines.

Our innovations not only save lives, but also provide enormous value to society over time and substantial savings in other healthcare spending. Studies show that:

- ❖ **every additional \$1** spent on congestive heart failure medicine for adherent patients **SAVES eight times** that much in other healthcare services, with similar trends for patients with diabetes, hypertension and high cholesterol;
- ❖ the creation of Medicare prescription drug coverage for seniors has resulted in annual hospitalization savings of an estimated **\$1.5 billion per year**; and
- ❖ the **22% reduction in cancer death** rates since 1991 due to new medicines has generated nearly **\$2 trillion** in societal benefit.

Spending on drugs is NOT unsustainable or rising rapidly. The facts are:

- ❖ drugs account for a relatively small **(10-14%)** percentage of healthcare expenditures – a figure that hasn't materially changed in **50 years** – and drug spending is expected to grow in line with overall healthcare costs through at least 2024, according to government estimates;
- ❖ net price growth for branded drugs was a mere **2.8%** last year, as intense market competition among drug makers and negotiations by powerful payers continue the trend of sharply rising discounts and rebates; and
- ❖ nearly **90%** of all prescriptions in the United States today are now for low-cost generic drugs, up from **less than 20%** in 1984 – saving the healthcare system more than **\$1.5 trillion** over the past 10 years alone.

Spending on drugs is NOT driving the large hikes in insurance premiums. Insurers' own data show that:

- ❖ **three quarters** of all insurance premium growth is being driven by increasing payments to hospitals and doctors; and
- ❖ insurers spend about as much on their own administrative costs as they do on all medicines **combined**.

The truth is that the insurance system doesn't work, especially for the sickest of patients with complex medication needs. Insurance companies continue to shift more and more of their drug costs onto the backs of patients – with patient cost sharing for drugs now averaging **20%**, or roughly **5 times** what patients have to pay for hospital care.

The good news is that the drug innovation ecosystem does work. Patients and society are rewarded with cycles of valuable new innovations followed by lower-priced generics for generations to come – all the while entrepreneurs and investors continue the high-risk search for the next medical breakthroughs.

Indeed, the biopharmaceutical industry has the highest rate of R&D reinvestment of any industry – **more than 19%** – which drives this search for new cures and treatments for patients in need.

Despite the rhetoric on the campaign trail and in the media, biomedical innovations are not the cause of problems in our healthcare system, THEY ARE THE SOLUTION!