Ohio Life Sciences

Chair Mathews, Vice Chair Stewart, Ranking Member Liston, and Members of the Public Health Policy Committee, thank you for the opportunity to provide opponent testimony today on House Bill 92. My name is Eddie Pauline and I am the President and CEO of Ohio Life Sciences Association, the statewide trade association representing Ohio's 4,300 life sciences establishments. Our membership encompasses a spectrum of organizations, from small biotech startups to large research institutions, but we all share common goals: increase treatment accessibility, advance research, and ultimately create more life-saving treatments.

Our industry understands that prescription accessibility is an issue that has persisted for generations. While we commend the bill sponsors for drawing attention to those concerns, the complex landscape of drug shortages cannot be resolved through legislation such as House Bill 92. For that reason, I am here today on behalf of Ohio Life Sciences Association and our members to oppose House Bill 92.

Drug importation will not solve the drug shortage or lower drug prices in the U.S. To understand why, we need to understand the prescription drug landscape in the United States.

Let's start with research and development.

On average, it costs between $1.5 billion and $3 billion to take a drug from concept to market. This does not take into account any costs incurred post-FDA approval. That is a significant amount of money, but manufacturers invest heavily in the R&D process for a number of reasons.

1. Patients have an abundance of unmet medical needs. We need innovative therapies for common illnesses, vaccines for emerging viruses, and treatments for the 95% of rare diseases that do not have an FDA-approved treatment.
2. The intellectual property of each novel product brought to market is patent-protected for a number of years. Typically, patents are valid for 7 to 12 years after a drug has sufficiently proven efficacy and safety and finally is brought to market. This period of patent protection allows manufacturers to recoup some of the costs associated with researching and developing the drug.
3. Investing in R&D contributes to a sustainable and innovative life sciences ecosystem that ultimately increases market competition, drives innovation, and improves health outcomes.

All of this is to say that pharmaceutical companies are investing unprecedented amounts of money back into the R&D process – on average more than 20% of profits are re-invested into R&D to advance new treatments and medications. Price controls associated with the Inflation Reduction Act and funding programs like 340B make it even more difficult for these companies to develop and produce medicine. Investment in the research and development needed to arrive at a treatment is risky. Any impact on profit ultimately endangers the United States' propensity for innovation. Less profit would mean less money re-invested into the R&D process for new drugs, leading to fewer treatments for the illnesses affecting our loved ones and ourselves.

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Drug shortages are a legitimate problem, but the solution is not importing drugs from Canada or anywhere else. Companies in the U.S. work closely with the U.S. Food and Drug Administration to develop safe and effective medications and to develop a robust and safe supply chain. In addition to their investments in R&D, companies make significant and sustaining investments in biomanufacturing, with a goal of meeting the needs of patients, health care facilities and public health authorities across the country.

A variety of different factors contribute to the number and severity of drug shortages, but we have seen higher concentrations of drug shortages in recent years, the highest in nearly 10 years. This is for three reasons:

1. Increased demand. The market is demanding more than the manufacturers predicted and that creates an almost immediate shortage.
2. Manufacturing delays and quality concerns. The workforce shortage has played a huge factor in the drug shortage. We simply do not have enough people to work at the manufacturing facilities that make these drugs. Material shortages and supply chain disruption also contribute to decreased production.
3. Geopolitical factors. As we all know, what's happening around the world has very real impacts on our domestic manufacturing. Geopolitical shifts have also affected our drug manufacturing.

All of these factors combined lead to a decrease in the actual number of pills, injections, vials, and so on that are able to be produced by any given manufacturer. In the most simple terms, demand outpaces the supply.

House Bill 92 will not solve these issues, though, because these root causes are not unique to the United States. These are global issues. We lack the appropriate infrastructure to meet the demand.

Now, what I'd really like to focus on are some of the measures that we believe would actually impact drug shortages and prices, starting with creating incentives for drug manufacturers to produce more medications here and incentivizing bio-manufacturing facilities in our state. Doing so would not only help shore up our domestic drug production, it would create much-needed, high-paying jobs for Ohioans in a growing and stable industry. I'd be glad to speak with you separately about how you, as our lawmakers, could potentially make a difference in this area. But I'll get back to the topic at hand.

As mentioned earlier, prescription accessibility is an ongoing concern. However, to assume that the importation of drugs from a country the size of Canada, with its 39 million citizens, is sustainable and advantageous to the U.S. market would be incorrect. Ohio has a population of about 12 million and Florida (the state after which this legislation is modeled) has a population of about 22 million. Together, Ohio and Florida have about 34 million citizens, or 87% of the entire population of Canada. To assume that the Canadian market has a 90% excess of drugs would be naïve. Canada has gone on record as being opposed to legislation that would threaten the supply of drugs to Canadian citizens. Canada is not capable of supporting the demand of two large states.

Regarding cost savings, the highest end of the projected cost savings from this bill is $100 million dollars. When we look at Florida, the state pushing hardest for this program, we see that the state has already given $50 million to a company that "specializes" in the importation of prescription drugs. If

Ohio were to follow suit, 50% of the cost savings are immediately lost to a company that has shown little to no progress of actually importing drugs from Canada to an individual U.S. state.

It should also be noted that the language of this bill effectively creates a monopoly for Life Science Logistics, the company charged with Florida's importation program. The guidelines for the program administrator are written in such a narrow and precise manner as to effectively eliminate any competition for Ohio's contract — and we've all seen what a lack of competition does for other industries in terms of quality and price. Why would we want to move in that direction?

Ohio Life Sciences shares the Committee's concern regarding access and availability of prescription drugs and health care services. However, we see House Bill 92 as a misguided attempt to save patients money at the pharmacy. Currently, the House has two bills before it that would more directly and quickly see patients paying less for prescription drugs: House Bill 509 (Share the Savings) and House Bill 177 (Co-Pay Accumulators). HB 509 would require that the savings attributed to manufacturer rebates (given to insurers and pharmacy benefit managers) be passed directly onto the patients, as opposed to the insurers and PBMs. In addition, HB 177 would prohibit insurers and PBMs from denying third-party assistance as counting towards a patient's deductible or out of pocket maximum. Ohio Life Sciences fully supports House Bills 509 and 177 and firmly posits that patients would see actual savings now as opposed to promised ones years down the road. Once again, these bills ensure that patients, everyday Ohioans, save money, rather than benefitting large companies or pharmacy benefit managers.

Let's focus on creating policies in Ohio that make us a place where it's easier to create life-saving treatments and medicines. Let's invest more in the life science workforce, incentivize the manufacturing of drugs here, and support our small biotech companies who are creating the next cure.

Increasingly, we don't want to rely on other countries for our energy and food. Why would we want to rely on them for our prescription medications?

For these reasons, along with others raised by our industry colleagues in separate testimonies, Ohio Life Sciences strongly discourages the Legislature from pursuing the importation of prescription medications from Canada. Ohio Life Sciences, as a representative of the industry, along with our members would love to continue this dialogue and discuss alternative solutions to lower drug costs for Ohioans.

Thank you, Chairman Mathews and Members of the House Public Health Policy Committee, for this opportunity. I am happy to answer any questions that the Committee may have.