

August 4, 2022

To the Members of the 117th Congress:

We are writing to express the biopharmaceutical industry's grave concern with the *Inflation Reduction Act of 2022*, its attack on medical innovation and the misleading way it is being sold to the American public. This bill will not provide relief for families struggling with inflation or help the average American patient afford their medicines. It will be remembered as a historic mistake that devastated patients desperate for new cures.

The past two years have seen an unprecedented demonstration of America's global biopharmaceutical leadership as we've worked to combat the COVID-19 pandemic, due in no small part to our robust investment in critical lifesaving research and development. Unfortunately, Congress is now poised to put the U.S. system on a course toward broad government control, setting the stage for our country to fall behind.

Proponents are driving the bill under the guise that it will allow Medicare to "negotiate" with biopharmaceutical companies. What the bill actually does is give manufacturers non-negotiable ultimatums – accept whatever price the Secretary of Health and Human Services sets, pay a massive excise tax of as much as 95% of a medicine's sales or remove all of your products from Medicare and Medicaid. That's not negotiation, it's government price setting.

We know from experience what happens when governments set the price of medicines: Breakthrough cures start slipping away. In countries with government price controls, patients have access to just half of medicines launched globally since 2012, compared to 85% in the United States.ⁱ

While the bill saves the federal government \$300 billion, it takes far more from the biopharmaceutical industryⁱⁱ and will have significant consequences for innovation and patients' hope for the future. Some economists estimate upwards of 100 new treatments may be sacrificed over the next two decades if this bill becomes law.ⁱⁱⁱ This includes treatments for multiple chronic conditions, the annual \$2.7 trillion medical and lost productivity costs of which far exceed the direct federal "savings" this bill would achieve.^{iv}

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Fewer new medicines is a steep price to pay for a bill that also doesn't do enough to make medicines more affordable. In fact, just \$25 billion will go toward improving the Medicare Part D benefit with an out-of-pocket cap. This is an important step, but changes that would have a more immediate, meaningful impact at the pharmacy are missing from the bill. It does not lower the coinsurance rate for all seniors in Medicare Part D. It fails to address abusive insurance practices that block access to medicines. And it further delays a policy – the rebate rule – that would immediately lower costs for millions of seniors at the pharmacy counter.

This lack of real affordability gains is reason enough to vote against this bill. But so is the assault on innovation, particularly research that takes place after a medicine has been approved. Researchers are constantly studying whether approved treatments can help patients with similar diseases or fight other diseases entirely.

The entire model for developing new oncology treatments depends on this. Nearly 60% of oncology medicines approved a decade ago received additional approvals for new indications years after the product was first approved.^y This critical progress will be gutted by this bill. It tells researchers that their successful post-approval research will quickly be subject to government price setting. And it virtually assures that President Biden's cancer moonshot never leaves the ground.

We too want to see changes that will make medicines more affordable and accessible for patients, and we proactively offered solutions that would have done more for patients and protected future innovation. Those ideas were ignored, and instead, Congress pursued policies that put patients at risk and threaten future treatments and cures.

Congress could choose to stand with patients and future treatments and cures. We urge you to reject the current package and work with us and all health care stakeholders on a balanced approach that delivers more affordable care for everyone and protects America's global R&D leadership today and in the future.

Sincerely,

Members of the Board of Directors
Pharmaceutical Research and Manufacturers of America

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ⁱ PhRMA analysis of IQVIA MIDAS and U.S. Food and Drug Administration (FDA), European Medicines Agency (EMA), Japan Pharmaceuticals and Medical Devices Agency (PMDA), Australia Therapeutic Goods Administration (TGA) and Health Canada data. July 2022. Note: New active substances approved by FDA, EMA and/or PMDA and first launched in any country between January 1, 2012 and December 31, 2021.

ⁱⁱ Avalere. Drug Pricing Bill Could Reduce Manufacturer Revenue by Over \$450B. July 27, 2022. <https://avalere.com/insights/drug-pricing-bill-could-reduce-manufacturer-revenue>; New Analysis Finds Deeper Impact of Drug Pricing Bill on Biopharmaceutical Researchers. PhRMA. August 1, 2022. <https://catalyst.phrma.org/new-analysis-finds-deeper-impact-of-drug-pricing-bill-on-biopharmaceutical-researchers>

ⁱⁱⁱ Philipson TJ, Durie T. Issue Brief: The Impact of HR 5376 on Biopharmaceutical Innovation and Patient Health. University of Chicago. November 29, 2021. <https://cpb-us-w2.wpmucdn.com/voices.uchicago.edu/dist/d/3128/files/2021/08/Issue-Brief-Drug-Pricing-in-HR-5376-11.30.pdf>

^{iv} Partnership to Fight Chronic Disease. What Is the Impact of Chronic Disease in America? https://www.fightchronicdisease.org/sites/default/files/pfcd_blocks/PFCD_US.FactSheet_FINAL1%20%282%29.pdf

^v Based on an interim analysis of FDA approval data conducted by Partnership for Health Analytic Research.