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February 6, 2024

The Honorable Pamela Beidle, Chair
Senate Committee on Finance
Miller Senate Office Building, 3 East Wing
11 Bladen St., Annapolis, MD 21401 – 1991

Dear Chair Beidle and Members of the Committee:

On behalf of the Biotechnology Innovation Organization (BIO), I would like to express our **opposition** to SB 388, a bill to expand the scope of the Maryland Prescription Drug Affordability Board (PDAB). BIO opposed the establishment of the PDAB when it was created in 2019 and therefore opposes any expansion of its authority. We continue be concerned about the impact the PDAB will have on patient access to new therapies, as well as the negative downstream impact it's actions will have on investment in Maryland's growing life sciences industry.

BIO is the world's largest trade association representing biotechnology companies, academic institutions, state biotechnology centers, and related organizations across the United States and in more than 30 other nations. BIO members develop medical products and technologies to treat patients afflicted with serious diseases, to delay the onset of these diseases, or prevent diseases from occurring.

We maintain that SB 388 will do very little to lower prescription drug costs for Maryland residents. The Maryland PDAB in general, and SB 388 in particular, fail to address factors related to prescription drug costs, such as patient out-of-pocket costs. Those have been rising steadily for years as health insurers and pharmacy benefit managers shift more cost burden on patients. SB 388 fails to address this problem.

This bill also provides no clear path for lowering prescription drug costs for public or private payers or the healthcare system overall. The price control scheme in SB 388 is designed around the premise that prescription drug costs are increasing at an unsustainable rate, yet prescription drugs, including inpatient medicines, continue to account for only about 14% of national health expenditures—both in the past and projected for the next decade.[1] Spending on prescription drugs on a per-patient-per-year basis, adjusted for inflation, grew by less than 1% between 2009 and 2018.[2]

[1] Roehrig, Charles. *Projections of the Prescription Drug Share of National Health Expenditures Including Non-Retail*. June 2019.
[2] IVQIA Institute for Human Data Science. *Medicine Use and Spending in the U.S.: A Review of 2018 and Outlook to 2023*. May 2019.

BIO is also concerned that actions by the Maryland PDAB to lower prescription drug costs, particularly efforts to impose price controls, disincentivize development of new, more effective therapies. This is especially concerning for patients living with a rare disease who have limited, or no treatment options currently available to them. Economists estimate that government price controls have a significant, damaging effect on the development pipeline for prescription drugs. For example, one study found that an artificial 50% decrease in prices could reduce the number of drugs in the development pipeline by as much as 24%,[3] while another study found investment in new Phase I research would fall by nearly 60%,[4] decreasing the hopes of patients who are seeking new cures and treatments. This bill will only expand the price control authority of the Maryland PDAB and provide an event more significant disincentive for companies to develop new, more effective therapies.

Maryland is emerging as a significant global center for biotechnology innovation, particularly in the biopharma sector. Since 2018, the state's bioscience companies have increased their employment by 14 percent, outpacing national job growth and reaching nearly 50,000 jobs that span 3,104 companies, many of them small startups. Legislation such as SB 388 will jeopardize investment into Maryland's robust and growing biotechnology industry.

For these reasons, we respectfully express our strong opposition to SB 388 and urge you and your colleagues in the Maryland Legislature to not pass this bill.

Sincerely,

Patrick J. Plues

Vice President
State Government Affairs

[3] Maloney, Michael T. and Civan, Abdulkadir. *The Effect of Price on Pharmaceutical R&D* (June 1, 2007). Available at SSRN: https://ssrn.com/abstract=995175 or http://dx.doi.org/10.2139/ssrn.995175

[4] Vernon, John A., and Thomas A. Abbott, "The Cost of US Pharmaceutical Price Reductions: A financial simulation model of R&D Decisions," *NBER Working Paper*. NBER, February 2005. https://www.nber.org/papers/w11114.pdf Accessed: April 18, 2019.