

Connecticut Bioscience Growth Council

Testimony to the Insurance and Real Estate Committee Connecticut General Assembly

Thursday, March 5, 2020

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**SB 328 An Act Concerning Health Care Cost Growth Benchmarks,
Canadian Drug Reimportation, Stop-Loss Insurance and Reinsurance**
HB 5018 An Act Concerning Health Care Cost Growth in Connecticut

Good afternoon Senator Lesser, Representative Scanlon, Senator Hartley, Representative Dathan, Senator Kelly, Representative Pavalock-D'Amato, members of the Insurance and Real Estate Committee.

I'm Paul Pescatello, Senior Counsel and Executive Director of the Connecticut Bioscience Growth Council.

I am also Chair of We Work for Health Connecticut.

The Connecticut Bioscience Growth Council is a committee of the Connecticut Business and Industry Association's biotech and biopharma members.

The Bioscience Growth Council was formed to foster collaboration both among Connecticut biotech and biopharma companies and, just as importantly, *with* our state. The Bioscience Growth Council's central aim is to represent biotech and biopharma companies and life science research institutions to help grow this important sector of the Connecticut economy. As you know, Connecticut – *this* General Assembly – has chosen wisely to invest in the life sciences as a means to help patients and their families find effective treatments and cures and build a new pillar for job creation across the Connecticut economy.

I am here today to speak in opposition to those provisions in SB 328, An Act Concerning Health Care Cost Growth Benchmarks, Canadian Drug Reimportation, Stop-Loss Insurance and Reinsurance, and HB 5018, An Act Concerning Health Care Cost Growth in Connecticut, which would seek to import drugs from Canada to Connecticut.

The goal of reducing healthcare costs is laudable and is shared by the Bioscience Growth Council. I emphasize that the goal is reducing *healthcare costs*, part of which is the cost of prescription medicines, but also includes hospital care, physician services and insurance premiums, to name only a few cost drivers. In fact, since World War II the share of healthcare costs attributable to prescription medicines has held steady at between 10 to 14 percent of overall healthcare spending. In other words, a focus on the cost of prescription medicines will still leave 86 to 90 percent of healthcare costs unaddressed.

While importation of seemingly lower cost Canadian drugs may seem, initially, like a policy worth pursuing, importation is fraught with insurmountable obstacles.

First and foremost are safety concerns. The federal Drug Supply Chain Security Act (DSCSA) has created the world's most secure supply chain that "tracks and traces" medicine from manufacturer through various intermediaries to pharmacies and patients. There is no equivalent of this U.S. track and trace system in Canada.

SB 328 and HB 5018 would place new responsibility on Connecticut to comply with federal track and trace requirements and ensure Connecticut's importation program did not pose additional risk to public health. It is unclear whether we in Connecticut have the administrative infrastructure to ensure the safety and efficacy of drugs imported from Canada, much less the fiscal resources to do so.

Importation of drugs from Canada would also increase the risk of non-Canadian counterfeit medicines being shipped through Canada to U.S. patients. The Canadian government has stated that it cannot guarantee medications sold to U.S. citizens are safe and effective.

Given all that would need to be spent to ensure the safety of Canadian drugs sold to Connecticut patients, the cost differential between Canadian and U.S. medicines would be slim to non-existent. Costs would include those associated with the start-up and ongoing expenses of creating, administering and ensuring the safety of a state-run drug importation program, repackaging and relabeling Canadian drugs for the Connecticut marketplace, law enforcement and public/patient education.

In addition to safety concerns, importation of Canadian drugs is essentially an attempt to import Canadian price controls. Given the costs of ensuring the safety of imported Canadian drugs it is likely that most, if not all, of whatever price advantage Canadian drugs have over their U.S. counterparts would not materialize. In any event, price controls undercut biopharma companies' ability to recoup their research and development costs and thereby constricts their incentive to conduct research and development. The profile of countries with price controls, such as those in Canada, is not one rich in life science innovation, entrepreneurialism and start-up biotechnology companies.

Finally, the strikingly obvious. A country of 38 million – Canada – does not have the supply of medicines for 329 million U.S. citizens. Canadians are currently facing a shortage of as many as 2,000 medications. The Canadian government itself is opposed to importation programs in general and SB 328 and HB 5366 in specific.

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

Thank you.