



January 29, 2019

The Honorable Charles E. Grassley
Chairman
U.S. Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Ron Wyden
Ranking Member
U.S. Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Grassley and Ranking Member Wyden:

The Healthcare Leadership Council (HLC) appreciates the opportunity to submit this letter for the U.S. Senate Committee on Finance hearing, "Drug Pricing in America: A Prescription for Change, Part I" on January 29, 2019.

HLC is a coalition of chief executives from all disciplines within American healthcare. It is the exclusive forum for the nation's healthcare leaders to jointly develop policies, plans, and programs to achieve their vision of a 21st century healthcare system that makes affordable high-quality care accessible to all Americans. Members of HLC – hospitals, academic health centers, health plans, pharmaceutical companies, medical device manufacturers, laboratories, biotech firms, health product distributors, post-acute care providers, home care providers, and information technology companies – advocate for measures to increase the quality and efficiency of healthcare through a patient-centered approach.

Competition and Innovation

The U.S. healthcare system has seen an increase in the cost of prescription drugs which has adversely affected patients, providers, payers, and other healthcare stakeholders. Increases in drug prices are often due to the lack of competition in the prescription drug marketplace. As a diverse coalition of healthcare stakeholders across the U.S. healthcare system, we believe innovation is essential to increasing market competition to deliver affordable, cutting-edge drug therapies to the public. HLC believes policies that encourage competitive markets and support innovation will lower drug costs and improve access to treatment. Additionally, competition from generic drugs is critical to lowering drug prices. Addressing barriers to and encouraging the entry of new generic drugs into the market will create more competition and help to lower drug prices.

Promoting Value-Based Care

HLC supports a shift towards a value-based system that pays based on value versus volume. In a value-based system, payment for medications is tied to patient outcomes and achieving clinical targets. A value-based payment system creates a disincentive for inappropriate prescribing practices and overutilization, protecting both patient and federal healthcare dollars. However, the adoption of value-based systems, including for prescription drugs, has been stifled by laws designed to discourage inappropriate behavior in a fee-for-service payment model. The most notable barriers in our current healthcare system, the physician self-referral law ("Stark

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Law”), and the Anti-Kickback Statute require modernization as our healthcare system shifts from volume-based care to increasing the value of care. Modernization of federal fraud and abuse laws will enable pro-patient, value-focused collaboration among payers, providers, and manufacturers.

A significant regulatory barrier is the Medicaid Best Price rule requiring drug manufacturers to offer the Medicaid program the lowest price negotiated with any other buyer. This requirement can deter companies from entering into value-based contracts. To utilize value-based contracting, manufacturers must be able to work with providers and health plans to assess the efficacy of a certain drug in a clinical setting and then set prices based on the results. Under current regulations, if a manufacturer sets a substantially discounted price for a drug while waiting for an evaluation of patient outcomes, that artificially lowered price would have to be offered to the Medicaid program. This creates a disincentive for pharmaceutical companies to accept increased risk in value-based contracting and thus, decreases patient access to innovative drug therapies.

Innovation, competition, and a collaborative environment for payers, providers, manufacturers, and patients are conduits for lowering prescription drug costs for all Americans. Thank you for examining this important issue and please feel free to reach out to Tina Grande, Senior Vice President for Policy, at (202) 449-3433 or tgrande@hlc.org with any questions.

Sincerely,



Mary R. Grealy
President