



November 14, 2017

Dear Lieutenant Governor Wyman and Members of the Governor's Health Care Cabinet:

Thank you for the opportunity to share information regarding Pfizer's presence in Connecticut and our views on improving the efficiency and quality of health care. I regret that I am unable to be at today's meeting in person, but I am happy to schedule a follow up meeting to answer any questions.

Pfizer is a research-based global pharmaceutical company dedicated to the discovery and development of innovative medicines and treatments that improve the quality of life for people around the world.

Connecticut is home to the largest site in Pfizer's R&D network and our Groton site serves as a Center of Excellence for drug discovery and development. Pfizer employs more than 3,000 colleagues and 3,500 contract workers in Groton alone and we support an additional 11,700 jobs throughout the state. We also operate a state-of-the-art clinical research unit in New Haven, where colleagues perform clinical research studies.

Nearly every Pfizer medicine is developed in part by our Connecticut colleagues who work to translate advanced science and technologies into the therapies that matter for patients in need. Pfizer's Connecticut colleagues are leading the way in drug development, providing vital information, tools, technologies, data, drug targets, and compounds to scientists around the globe, at every level of drug discovery and development, and across all of Pfizer's therapeutic areas.

Pfizer takes great pride in being a productive and generous corporate citizen in the state. Our patient assistance program, Pfizer RX Pathways, helped over 700 Connecticut residents last year by providing over 5,900 prescriptions for free or at a reduced savings. Additionally, last year alone Pfizer employees and the Pfizer Foundation donated more than \$4.4 million to nonprofit organizations in Connecticut through the United Way, matching gifts and volunteer programs, and we have donated \$230,000 in Connecticut to nonprofit community grants, health-related walks and STEM education scholarships.

Pfizer is committed to meeting the needs of patients and improving the health care system and, as such, we have been an active participant in the work undertaken by Lieutenant Governor Wyman and the Healthcare Cabinet to identify ways to improve the efficiency and quality of health care delivered to the citizens of Connecticut. We applaud the Cabinet for its efforts to develop policy solutions to control rising health care costs while driving improvements in patient care.

Pfizer recognizes that healthcare payers and providers in the U.S. are increasingly looking to improve upon the quality of care delivered to patients, the clinical outcomes experienced by patients, and the value they receive for every dollar spent on care. To that end, we encourage the Cabinet to continue exploring ways to facilitate and incentivize a shift from fee-for-service to value-based payment arrangements as outlined in the pricing workgroup's draft proposal (*Proposals under the State Employee Health Plan – Item #1; Other Items for Consideration – Item #4*).

We encourage the Cabinet to continue examining the role of insurance benefit design on rising health care costs (*Other Items for Consideration – Item #1 and Original Item #2; New Proposal from 10/6 Meeting*). Insured patients are facing rising deductibles, higher copayments, and more frequent use of co-insurance. Since 2006, the percentage of covered workers in employer-sponsored health plans with a general annual deductible has increased from 55 percent to 80 percent, with an average general annual deductible of \$1,217 in 2014.ⁱ Between 2011 and 2016, deductibles in employer-sponsored health plans increased 7 times faster than wages,ⁱⁱ and the proportion of commercial health plans with pharmacy deductibles grew by 100 percent between 2012 and 2015.ⁱⁱⁱ Connecticut has established certain cost-saving patient protection for prescription drugs in their exchange plans; however, we believe the Cabinet should explore recommendations to extend such cost-saving protections to patients in plans offered off the Exchange.^{iv} We strongly believe that finding



policy solutions to address out-of-pocket cost challenges for *all* patients is critical to lowering costs and improving health.

We encourage the Cabinet to continue examining the role of each entity in the drug delivery and reimbursement ecosystem (*Proposals under the State Employee Health Plan – Item #1; Other Items for Consideration – Original Item #2 and Item #3*). Prescription drug delivery and reimbursement is extremely complex and involves multiple entities, including manufacturers, wholesalers, pharmacies, pharmacy benefit managers (PBMs), insurers, and employers. The system is also evolving such that it now often includes specialty pharmacies, specialty distributors, outpatient infusion centers, and group purchasing organizations (GPOs).

As the complexity of the system has increased, the complexity of reimbursement has also increased. Consequently, brand biopharmaceutical companies retained only 47% of net spending on prescription medicines in 2015; the rest was retained by generic companies and by entities within the supply chain.^v And on average, more than one-third of a branded drug's list price is returned to other entities in the supply ecosystem in the form of rebates and discounts.^{vi} To develop sound, effective policies that achieve the goal of lower costs to patients and the broader health care system while improving care, policymakers must evaluate each component of this ecosystem and their interconnectivity.

Lastly, along with the recommendations above, we encourage the Cabinet to explore how medicines, and patient access to medicines, can be part of the solution to lowering health care costs. The CBO credits Medicare policies that increase use of medicines with savings on other Medicare costs.^{vii} Every additional dollar spent on medicines for adherent patients with congestive heart failure, high blood pressure, diabetes and high cholesterol generated \$3 to \$10 dollars in savings on emergency room visits and inpatient hospitalizations.^{viii} And for every \$1.00 invested in vaccines for vaccine-preventable diseases an estimated \$10.20 is saved in societal costs (direct and indirect).^{ix} Since 1975, the chances that a cancer patient will live five years or more have increased by 41 percent, with 83 percent of the survival gains attributable to new treatments, including medicines.^x Reducing cancer death rates by 10% represents \$4 trillion in economic value.^{xi}

In fact, Connecticut's own Department of Social Services has cautioned against approaches to controlling drug costs that "examines drug costs outside of the context of other health costs and health needs," and that such approaches fail "to account for the substantial clinical and financial benefits generated by medications and related treatments."^{xii} They further noted that, "[m]edications save money and lives. PhARMA (sic) is correct in its assertion that medications are largely why heart disease rates decreased 46% in the U.S. between 1991 and 2011."^{xiii}

Again, I appreciate the opportunity to update the members of the Governor's Health Care Cabinet on our work in the state and we look forward to continuing to work with the Cabinet and other stakeholders in Connecticut to improve health care in the state. If I can be of any assistance please do not hesitate to contact me at 860.287.4603 or at ken.hiscoe@pfizer.com.

Sincerely,

Ken Hiscoe
Director, Government Relations

ⁱ Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006–2014. Available online at: <http://kff.org/report-section/ehbs-2014-summaryof-findings/>.

ⁱⁱ Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2016. Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 1999 -2016; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1999-2016 (April to April).

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- ⁱⁱⁱ IMS Institute for Healthcare Informatics, "Emergence and Impact of Pharmacy Deductibles," September 2015.
- ^{iv} PhRMA, Connecticut's 2016 Health Exchange Plans. <http://phrma.org/files/dmfile/CT-Exchanges4.pdf>.
- ^v Berkeley Research Group, *The Pharmaceutical Supply Chain: Gross Drug Expenditures Realized by Stakeholders*. Washington D.C., 2017. Available online at: https://www.thinkbrg.com/media/publication/863_Vandervelde_PhRMA-January-2017_WEB-FINAL.pdf.
- ^{vi} *Id.*
- ^{vii} Congressional Budget Office, "Offsetting Effects of Prescription Drug Use on Medicare's Spending for Medical Services," November 2012. Available at: https://www.cbo.gov/sites/default/files/112th-congress-2011-2012/reports/MedicalOffsets_One-col.pdf.
- ^x E. Sun, et al., "The Determinants of Recent Gains in Cancer Survival: An Analysis of the Surveillance, Epidemiology, and End Results (SEER) Database," *Journal of Clinical Oncology*, May 2008 Suppl(Abstract 6616); <http://www.cancer.org/acs/groups/content/@editorial/documents/document/acspc-044552.pdf>.
- ^{xi} National Cancer Inst. & Murphy and Topel, via <http://www.phrma.org/sites/default/files/pdf/infographic-value-of-cancer-medicines-2014.pdf>
- ^{xii} CT Department of Social Services, Presentation to the Connecticut Healthcare Cabinet, February 14, 2017.
- ^{xiii} *Ibid.*