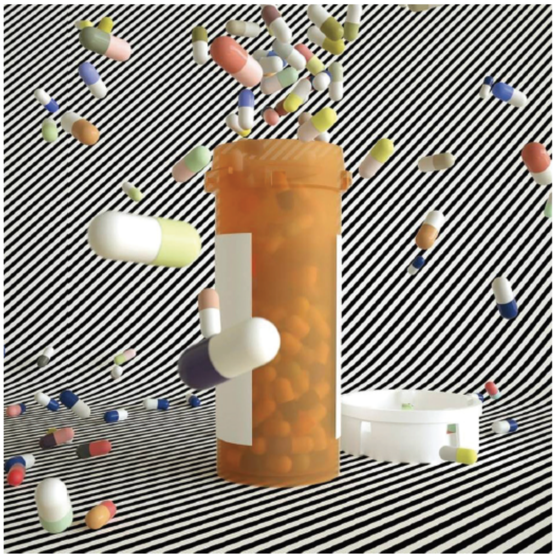
THE SACRAMENTO BEE

SOAPBOX | MAY 12, 2017 SACBEE.COM



OPINION

Misguided pharma 'transparency' bill is not the answer to affordable prescription drugs

BY PAUL HASTINGS AND STEVEN MENTO
Special to The Bee

California is a global force in many industries – entertainment, agriculture, high-tech – but nowhere is our international leadership more important than in biosciences. Our state is the top biopharmaceutical producer in the United States, which innovates more new drugs than the rest of the world combined. Truly, California heals the world.

The business of developing life-saving treatments supports 242,000 California jobs, most in small research enterprises converting breakthroughs in the lab to products in the pharmacy. With California graduating the most science and engineering Ph.D.s of any state, we're well-positioned to build on this progress if our elected officials don't take our world-leading ecosystem for granted.

As California biotech entrepreneurs whose companies have invested hundreds of millions of dollars in cutting-edge therapies, we're concerned about anti-competitive legislation being considered in Sacramento.

Senate Bill 17 purports to address the affordability of prescription drugs but then does nothing to tackle that problem. Instead, it creates a new one – a public policy environment hostile to biotechnology investment. San Francisco and San Diego rank among the top three cities nationally for biopharma venture funding, while Los Angeles is building its own biotech hub. Venture capitalists have invested $19 billion into our state's bioscience ecosystem over the last five years. A measure of this kind could jeopardize future financing.

Supporters promote SB 17 under the banner of drug pricing "transparency," a term usually describing efforts to help consumers make informed decisions. In this instance, "transparency" refers to the government's effort to force drug manufacturers to disclose confidential and sensitive business records that no other private industry is forced to share.

Forced disclosure undercuts competitive negotiations and dealmaking. Some investors will withdraw at the first hint of government intrusion into the free market. Legislators should carefully consider the unintended consequences among biotech investors and the California jobs they support.

SB 17 wrongly presumes the government can determine a reasonable price for a treatment by calculating costs to research, develop and manufacture it. This presumption is based on a fundamental misunderstanding of the drug development process. Ninety percent of projects in the U.S. Food and Drug Administration's pipeline do not win approval. Profits from a handful of approved medicines must subsidize thousands of research failures. This bill empowers government to examine the development costs of the few successes without considering the many costly failures. It's a prescription for fewer drugs, not cheaper ones.

It typically costs between $1 billion and $2 billion to secure FDA approval of a single new medicine. Small, research-intensive companies like ours survive only because investors are willing to take massive financial risks based on a 1 in 10 chance of having a salable product many years later.

We understand that the affordability of prescription drugs is a complex issue that has a real impact on patients. However, SB 17 does not lower patients' out-of-pocket costs or address the inefficiencies in prescription drug distribution. Instead, it disincentivizes biotechnology investment and places new reporting burdens on small bioscience companies, forcing them to spend their resources on lawyers instead of scientists. SB 17 would mean less innovation, less economic growth and less investment in our world-leading bioscience sector. It's bad medicine for California.

If the key players sit down and work together, we can craft a solution that addresses drug affordability without killing investment, jobs and hope for patients who rely on our state's bioscience companies to discover the next miracle cure.

Paul Hastings is chairman and CEO of OncoMed Pharmaceuticals in San Francisco and can be contacted at phastings@oncomed.com. Steven Mento is president and CEO of Conatus Pharmaceuticals in San Diego and can be contacted at smento@conatuspharma.com.