



Bristol-Myers Squibb

PHARMACEUTICAL ISSUES – BMS PERSPECTIVES AND POLICIES

U.S. HEALTH CARE REFORM

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Need for Responsible Health Care Reform

The delivery of health care in the United States represents some of the most technologically and scientifically advanced approaches to medical treatment anywhere in the world. Yet, at the same time, some 47 million people in the U.S. have no health care coverage to allow them to take full advantage of such advances. In addition, health care costs continue to rise as a result of an aging population, significant increases in those with chronic diseases, and inadequate preventive and primary care. All these trends place growing burdens on the entire system. It is no wonder, then, that reforming the U.S. health care system has become a top priority for policymakers at all levels of government. As they explore new avenues for reform, we urge that any reforms that may be adopted do not stifle innovation, in order to avoid impeding possibilities for additional medical advances in the future.

Principles to Ensure Innovation and Guide Affordable and Accessible Health Care

Bristol-Myers Squibb supports accessible and affordable health care, including measures to reduce the number of uninsured -- especially vulnerable populations such as children and people with lower incomes -- with the goal of achieving universal, continuous and affordable health care coverage in the U.S.

We also support policy approaches to reduce significantly the number of uninsured by focusing primarily on expanding private health care coverage as we build on the current public-private mix of health insurance coverage, while ensuring that we preserve incentives in the market to help us create the next-generation of medical advances. We also believe that the drawbacks of pharmaceutical price controls to help control rising costs far outweigh any potential benefits. Therefore, in reforming the U.S. health care system, we urge that policymakers, working with the private sector, follow these principles:

- **Individual patient needs and the physician-patient relationship must be at the center of the U.S. health care system.** Patients should expect quality health care that addresses their individual needs and that is based on the recommendations of their physicians. In addition, health care providers should use medical and scientific information that is based on real life experiences and objective, independent research to form judgments about appropriate care. What's more, any health care reform proposals should ensure that patients have access to comprehensive benefits, including prescription drug coverage. Since medicines can play an important role in effective early intervention and prevention of disease, coverage should not punish individuals who need medicines – through higher co-pays or deductibles or restrictions on choice -- rather than other services that may be better insured.

- **Policy approaches should be implemented to build on the current public-private-employer-based mix of health insurance coverage with the goal of achieving universal, continuous and affordable health care coverage while preserving consumer choice.** These reforms should focus on allowing robust competition in the marketplace in order to implement reforms that make private health insurance move available and affordable. When necessary, private health care coverage options should be supplemented by subsidies or other arrangements for people with low or modest incomes and for small businesses, to substantially reduce the number of uninsured. Competition in the open market, where choices are varied and costs differ among health plans also will help contain health care costs.
- **Health care reforms should not rely on price controls or government regulation to control costs. Such efforts can adversely affect the development of new medical advances because they cap the potential for an appropriate return on investment and can restrict access to advanced therapies. Instead, allowing robust competition in the marketplace, coupled with strong patent protection, is the best and most efficient way to restrain health care and pharmaceutical costs, while ensuring the next wave of medical advances.** A recent study by the University of Connecticut looked at a hypothetical scenario where price controls were applied to drug prices in the U.S. By restricting prices, incentives and resources, up to 200 new medicines that otherwise might have been provided, were not produced. The result: Lives would have been lost or harmed by a factor of more than 60 times greater than the savings that would have resulted if controls were in place.¹

In addition, in a number of developed countries outside the U.S., where health care is funded or provided solely by governments using tax dollars, similar problems emerge. As health care needs have grown with ever larger aging populations and accompanying costs have increased, some governments have restricted access to certain health care services and advanced pharmaceuticals while also regulating the price of medicines. Such efforts are inefficient, often counterproductive and in some cases, can seriously harm patients.

-- In Canada, complex pricing processes have actually led to generics costing more than in the U.S. and in some provinces, the availability of innovative medicines is delayed by up to two years.²

-- In Japan, price controls and cumbersome regulations have led up to 85 percent of the top drugs in the world being delayed for up to six years before being launched, limiting advanced treatments for 20-30 million patients.³

-- And in Europe, assessments by government agencies of cost effectiveness of health technologies often delay access to needed treatments. Deciding whether a drug should be used based only on cost consequences can have a catastrophic impact on patients without any other treatment options.

1 R.E. Santerre, J.A. Vernon, "Assessing Consumer Gains from a Drug Price Control Policy in the U.S." National Bureau of Economic Research Working Paper No. 11139 (Cambridge, MA; NBER, February 2005).

2 The Impact on Canada of Pharmaceutical Regulations and Pricing Policies. Bain and Company. Toronto, Canada. 2007; Canada's Drug Price Paradox 2007. Skinner et al, Fraser Institute.

3 Japan Pharmaceutical Pricing Policies. PhRMA, March 2006. (Confidential, not public)

- **Health care reforms should take the opportunity to focus on improving quality and value. Wellness and disease prevention need to be a critical cornerstone of health care.** Preventing illness and ensuring wellness have the potential to reduce the burden of chronic and serious disease, especially as the population ages. Not only will patients benefit, but significant costs will be saved or averted. For example, reforms should target major and costly public health problems like obesity, promote wellness programs and healthy lifestyles and encourage the use of medicine based on solid, independent research to encourage care that has proven effective. Improvements in coordinating care and managing the diseases of those with chronic conditions also should be addressed, especially for the more than 133 million Americans who suffer from chronic illnesses. And we should target new approaches to alleviating the inequalities in the availability and delivery of health care as a result of race, gender, ethnicity or economic standing.
- **Expanded use of health information technology should improve the quality, coordination and efficiency of care.** The U.S. health care system is large, decentralized and diverse – so information about patients is not necessarily easily obtained by different health care providers. Instead, the system can be strengthened by expanding the use of electronic health records to measure health care quality, improve health care coordination and enhance the efficiency of care delivery. Adopting electronic records that are accessible by any legitimate health care provider about a patient could lead to significant health care savings by reducing medical errors and improving health. Potential savings across the health care sector are estimated at \$80 billion a year.⁴ What's more, prescribing electronically, instead of using handwritten prescriptions, could reduce the estimated 1.5 million preventable medical errors and adverse drug events that occur each year.⁵

As with many issues, states have demonstrated the agility and motivation to quickly address health reform challenges. Many states, encouraged by the enactment of comprehensive health care reform in Massachusetts, have introduced their own proposals to provide coverage for the uninsured.

- **The Massachusetts program is a new health insurance model with both individual and employer mandates.** Recent higher-than-expected enrollment projections, however, demonstrate the challenges of funding and implementing comprehensive reform programs.
- **California and as many as 37 other states also have considered proposals to broaden existing health care coverage and it is likely that states will continue to experiment with different approaches in advance of any overarching Federal reforms.** Yet, because of growing pressures on state budgets, many states may pursue reforms that are less wide ranging, like providing or broadening health benefits for vulnerable populations like children.

Whether reforms ultimately are incremental or more comprehensive, Bristol-Myers Squibb remains committed to working with a wide range of groups to achieve accessible and affordable health care coverage consistent with the principles outlined here.

⁴ www.rand.org/pubs/monographs/2005/RAND_MG410.pdf. Page 81.

⁵ www.healthcareitnews.com/story.com