

Healthcare Reform: Getting It Right
David Brennan, CEO, AstraZeneca
April 3, 2009

Thank you.

It's great being with you today.

And I'm especially glad to be up here with my good friend, Dick Clark.

During Dick's tenure, we redoubled our industry's efforts to listen to our stakeholders.

We've gone a long way in remedying the "trust deficit," defining more transparent ways for us to interact with physicians and clarifying our views on the appropriate use of direct to consumer advertising.

Thank you Dick for your leadership.

And a special thanks to Billy Tauzin. As president of PhRMA, Billy has done a lot to make PhRMA a better and more effective organization.

Let's give them both a well-deserved round of applause.

As PhRMA's new chairman, I'm looking forward to working closely with Billy and the PhRMA team, and with Dick, my board colleagues, the membership and partners as we meet the challenges and the opportunities presented to us.

But today there's a crisis going on.

We are in the midst of a deepening global economic recession.

Since the onset of this downturn in the United States alone, over 4.4 million people have lost their jobs and, in many instances, they've also lost their health insurance.

It's not hyperbole to say that before this recession is over millions more will join the 47 million other Americans who do not have health insurance.

So, what's the cost of this lack of proper health insurance?

For one thing, more people who don't have the ability to pay will crowd already overtaxed hospital emergency rooms.

Everybody's premiums will rise.

And without routine access to a physician and to preventive care there will most likely be an increase in the prevalence of the chronic diseases – like diabetes – that now claim up to 75 cents of every health care dollar spent in the United States.

And as if that wasn't enough, Medicaid and Medicare costs continue to soar as ballooning healthcare costs touch just about every American household.

A Kaiser Family Foundation study shows that in 1970 U.S. healthcare spending stood at a modest \$365 dollars per resident - or 7.2 percent of GDP.

But by 2016 healthcare spending is forecast to rise to well over \$12,000 dollars per U.S. resident.

That's an unbelievable and unsustainable 19.6 percent of GDP.

Today, everybody is worried about this immediate economic crisis, but the cost of healthcare has been undermining the financial soundness of the nation for a long time.

From Main Street to Capitol Hill, people are clamoring for change.

Elected officials and policymakers from both sides of the aisle are discussing – and, of course, debating – their visions of healthcare reform.

So the crisis in American health and healthcare and the need for change now is a headline story.

As we move forward with healthcare reform, we've got to make sure that this time we get it right.

I'm in full agreement with President Obama that we need reform that's built on American traditions to meet the diverse medical needs of our people, while we're reducing cost and strengthening the economy.

Americans deserve a system that provides every man, woman, and child with a consistent level of care.

I'm talking about a system that helps them live healthier and live longer.

We – the members of PhRMA and our partners across healthcare and every sector – want to do all that we can to play an active role in building meaningful solutions.

As we promote better healthcare for patients and their families, it's easy to move into a white hat/black hat, us-versus-them world view.

We can't afford to do that anymore.

And, most importantly, sick patients certainly can't afford for us to do that.

So, with the goal of healthcare reform, we've got to work together in a new way where we respect our differences and understand we all are facing real change.

If we can genuinely do that, we open the door to more powerful and inventive collaborations.

And do you know what?

I think we're succeeding.

Some partners – who are with us for the first time at our annual meeting – were until recently absolute critics of the industry.

For years they used their resources to criticize us, while at times we battled them.

But today I'm glad to say we're connecting around the need to reform a broken system.

Thank you for being here!

As we develop proposals at PhRMA, we need to recognize, and on occasion remind ourselves, that we don't have all the answers.

We have to listen carefully to our partners and others seated around the table.

We want deliberations dominated by ideas - not by ideology.

Americans deserve a debate that features fresh thinking and open-mindedness - not partisan bickering.

Only respectful, give-and-take discussions will produce the reforms we need.

I look forward to actively participating in many more of these discussions.

So what needs to be at the center of the health care reform debate?

First, we've got to have quality care with an emphasis on outcomes.

We also have to reduce healthcare disparities. And as an example we should explore opportunities to increase racial and ethnic diversity in clinical trials.

Next, we've got to preserve what is good about the current system.

And, in my view, that includes the strong relationship between physician and patient.

Without access to prevention information – and the counsel that comes from routine visits to a physician – Americans without health insurance are more likely to die of cancer and other chronic diseases.

Prevention and access are not just about a pill.

Yet, even with a doctor's best counsel and lifestyle changes, we won't stem the tide of chronic disease.

We need the right medicines for the right patient at the right time.

We want to make sure that the uninsured and the under-insured both have sufficient access and coverage.

And that coverage needs to include a comprehensive prescription drug benefit.

Our challenge is to expand our pipelines of valued medicines that make a meaningful difference in patients' lives.

That's the most important step we can take in fighting chronic disease.

Studies show that newer medicines reduced hospital and other non-drug costs.

For each additional dollar spent on newer pharmaceuticals, over \$6 is saved in total healthcare spending.

And more than four of those dollars come from savings in spending on hospital stays.

But innovation without delivery doesn't help the patient.

With that in mind, the PhRMA-led partnership for prescription assistance – in alliance with 1,300 national state and local partners – brings Americans in-need access to medicines.

PPA is clearly very important. But it's no substitute for having comprehensive healthcare that provides every American with a real, affordable opportunity to get the innovative medicines they need.

President Obama noted that medical costs have gone up four times faster than wages.

Yet, as other healthcare costs spiral, medicines have remained at about the same percentage of the healthcare dollar for 40 years.

That's the good news.

The bad news is that insured patients are forced to pay considerably higher percentage co-pays on medicines than on what they pay for other healthcare services.

I'm an advocate of free-market-based healthcare solutions. But, within that framework, I support appropriate government efforts to protect people whose healthcare needs aren't met by the private marketplace.

That's exactly what the pharma industry does with the prescription savings program.

I also agree that standard insurance coverage can be improved.

Quite frankly, Americans deserve co-pay reform.

The current skew of the standard insurance benefit clearly penalizes patients for the use of the more innovative medicines.

Several companies are learning the benefits of co-pay reform.

Pitney Bowes, for instance, reduced co-payments for drugs prescribed for diabetes and asthma.

The Wall Street Journal reported that the company realized a \$1 million net savings in the first year by reducing complications common to those diseases.

Some health insurers are also getting it.

And this kind of innovation on the part of payers provides the incentive for innovators to bring high-value medicines to market.

Wouldn't it be great if this outcome-based approach became standard practice?

In the midst of these challenges we – with a growing list of partners – have achieved real progress in promoting healthcare reforms that benefit tens of millions of people.

Recently, 4.1 million previously uninsured, low-income children gained access to healthcare under the State Children's Health Insurance Program – otherwise known as SCHIP.

PhRMA was proud to support SCHIP's reauthorization and expansion.

With SCHIP in play, millions of children gain access to affordable healthcare, and are less likely to be touched by chronic diseases that increase costs and short-circuit their potential.

At the other end of the age spectrum, another PhRMA-supported bill, Medicare Part D, was enacted more than five years ago.

Before Medicare Part D came in, an estimated 30 to 40 percent of Americans over 65 had no drug coverage.

Now, more than 90 percent of those eligible for Medicare use the comprehensive prescription plan

The Wall Street Journal and other polls show that satisfaction levels continue to approach upwards of 90 percent among older adults using the plan.

And as the Medicare Part D participants gain the benefit American taxpayers save money.

The Congressional Budget Office has reduced its previous 10-year expense forecast for the program by \$438 billion – or 37 percent.

That's a big saving!

When was the last time a government program achieved a high satisfaction rate and came in several hundred billion dollars below projected costs?

Both SCHIP and Medicare Part D had opposition from folks with whom we've worked on other issues.

I appreciate their concerns.

But as these programs promote better health they can also save patients and taxpayers money.

Not a bad combination!

In his speech to Congress, President Obama called for our nation to find a cure for cancer.

We applaud him for that.

We, too, want to move closer to that goal.

But we can't get far down that road without continued world-class innovation.

And, you know what?

Our industry can't get there without the government.

And, the government won't get there without us.

Quite frankly, we need each other.

Tripling the funding to the National Institute for Health or the National Cancer Institute would give Americans some early-stage victories.

But that's not going to cure the spectrum of diseases known as cancer.

While the government assists with research, the biopharmaceutical industry has the ability to bring medicines from the laboratory to the patient in a consistent, systematic way.

Over the last 25 years, we've come a long way in the war on cancer.

But contrary to the Hollywood-like scenarios, our battle with cancer isn't so much about spectacular breakthroughs as it is about steady, incremental progress.

Innovative incremental improvements have brought tremendous benefits to millions of cancer patients and their families as medicines extend and increase the quality of life.

In thirty years, with better screening and treatments, we've improved the cancer survival rate from one-half of those diagnosed to two-thirds.

And some diseases, such as breast and prostate cancer, now have about 90 percent or better survival rates.

Maybe we can cure cancer.

But, even if we don't, our scientists tell us that we're moving toward making it a treatable chronic disease - a condition like arthritis that can be managed. A disease that you can live with, rather than die from.

Achieving that goal even faster and creating sustainable healthcare reform requires policies that are more conducive to the medical innovation that is the genesis and cornerstone of our industry.

So what needs to be done?

We need an environment that includes strong, well-defined intellectual property rights.

A productive NIH.

And a robust research-based and patient-driven pharmaceutical industry whose products can move more efficiently from the laboratory to the patient.

And a strong, well-functioning FDA.

These are all essential, if we are going to find cures for dreaded diseases and meet the other unmet treatment needs of people everywhere.

Now, what do I mean by a "strong, well-functioning FDA"?

Clearly, it's doing better than a decade ago, but an understaffed and under-funded FDA is an agency in crisis.

In 2008, the FDA missed more than 50 PDUFA goal application review dates.

Who pays the cost of those delays?

Yes, they impact individual companies, but it's the patient waiting for the next critical medical advance who pays the highest price.

So, what are we – the members of PhRMA – doing about it?

We're working hard for increased appropriations to the FDA so that it is recognized as a watchdog with a full set of teeth. An agency with the technology and people it needs to do a more timely and consistent job in regulating us and bringing innovative treatments to patients.

As we debate in America medical innovation's importance, other nations are developing policies to expand their role.

When I took my first job in the pharmaceutical industry, Europe was seen to be the world pharmaceutical leader.

Most of my pharma colleagues over 40 know the rest of the story.

With governments constraining patient access to new medicines, investment returns shrank and a segment of Europe's pharma-base shifted to the United States.

Today, both the European Union and individual nations are working to institute pro-medical innovation policies to try to recapture Europe's leadership in this industry.

For example, Great Britain has started to put less intrusive and more predictable policies in place that open the door to enabling and rewarding innovation.

In Asia, countries are rolling out medical innovation strategies. China in particular is moving to create a better environment for innovation - and investing in it.

The Chinese are taking the long view as they invest large sums of government money.

They are creating strategies to develop the infrastructure and biochemistry knowledge in their people that will make them more competitive over the next 20 to 40 years.

Today, the United States leads the world in creating new medicines, and we've got to make sure that this drive for innovation continues.

Last year, U.S. pharma spent \$65 billion on R&D. And in 2006 the overall biopharmaceutical sector added \$88 billion to the U.S. GDP.

And then there are the jobs.

Over 3.2 million people's jobs have ties to our industry.

We have an important economic impact on the nation.

But, in addition to that, our citizens should be among the first in the world to gain access to new, often life-saving medicines.

Quite frankly, without a pipeline full of innovative medicines, it will be difficult, if not impossible to create meaningful and sustainable healthcare reform.

At the end of the day, I think it's safe to say that every one in this room wants significant health care reform.

What key actions have to be taken to achieve reform that benefits patients and reduces costs?

1. Promote quality care for all – with an emphasis on outcomes.
2. Embrace a system that supports a doctor/patient relationship and emphasizes prevention and personal responsibility.
3. Bring about co-pay reform that gives patients real access to the best medicines and treatments.
4. Work toward policies that promote continuous medical innovation.
5. Be advocates for strengthening the FDA so that they can do a more timely and consistent job.

For all this collaboration is key.

We need to partner differently and act differently than we have in the past.

Whether in the development of new medicines or promoting existing products, partnerships are essential.

And they're no less important in promoting comprehensive healthcare reform.

In every partnership, alliance or coalition that PhRMA enters, the common denominator has to be support for improving patient care and delivering life-enhancing medicines.

With that goal in mind and as economic turmoil deepens and the healthcare crisis touches more people, our coalitions expand.

Through actively working in partnerships and coalitions, we are making progress and continuing to learn from one another.

We don't and won't agree on everything.

Some might even shake their heads when they're reviewing the broad assortment of individuals and organizations that have joined together under our healthcare reform umbrella.

But the fact is our goal is quite clear: Better, more cost efficient and less costly healthcare for families.

With the goal of sharing ideas and gaining access to new perspectives, I'll soon be on the road crisscrossing the United States meeting with policy makers and opinion-leaders, elected officials and others, including patients and healthcare professionals of every stripe.

From this trip and others that follow, I intend to stay in touch with what's going on at the grassroots level and on Pennsylvania Avenue.

I came to this industry more than 33 years ago.

I was motivated by the challenge of improving human health, and saw I could be part of a business that contributes something real to society.

We do that.

Every day, our medicines improve people's lives, especially the lives of those afflicted with serious, highly prevalent diseases like cancer.

Now, with the potential for the right kind of healthcare reform, we may soon help even more people.

It is a good time for PhRMA.

There's no doubt: we have the challenge of recession, but current healthcare debates give us the opportunity to make our case - and to make it very publicly.

We start the discussion with stronger business codes and a renewed emphasis on transparency.

This will serve us well and make us a stronger, better partner in the healthcare debates ahead.

Working together with partners and advisors from every sector and every walk of life, we can - and I believe this time we will - get the right healthcare reform.

I envision a time not all that far away when all people in need are diagnosed and treated. Fewer are hospitalized. And medicines will be seen not as the cost of sickness, but as an investment in improving health.

Together we will make that happen.

Thank you.