

March 4, 2013

The Honorable Kevin McCarthy  
2421 Rayburn House Office Building  
Washington, DC 20515

Dear Representative McCarthy:

On behalf of the California Healthcare Institute (CHI), the statewide public policy association representing California's leading biotechnology, pharmaceutical, medical device and diagnostics companies, universities and private research institutions, and venture capital firms, I am writing to voice our opposition to any proposals that would seek to reduce payments for providers of drugs and biologics under Medicare Part B.

California's more than 2,300 biomedical companies and institutions, clustered throughout the state, lead the world in life sciences research and development, which has led to groundbreaking therapies and technologies to diagnose, treat and prevent conditions such as cancer, cardiovascular disease, diabetes, HIV/AIDS, chronic pain, Alzheimer's, Parkinson's Disease, and others. Just as important, the sector is an increasingly important component of our state's economic engine, employing nearly 270,000 people, paying \$15.5 billion in wages and accounting for \$20 billion in exports.

Timely and appropriate coverage and payment policies are critical to biotechnology innovation and, most important, patient care. That is why it is vital for Congress to protect programs that are working. Medicare Part B, which provides coverage for therapies that are physician-administered, injected or infused, has seen stable costs since the implementation of the market-based Average Sales Price (ASP) system under the Medicare Modernization Act (MMA) of 2003. Access to these treatments remains critical for patients fighting debilitating and life-threatening diseases such as cancer and multiple sclerosis.

As part of the MMA, Congress set the reimbursement rate for most Part B drugs at ASP plus six percent (ASP +6%). ASP is - by definition - an averaging system and there are some providers whose costs will be higher than the average. It is often the case that these providers are in small practices with low patient volumes and/or in rural areas that are less likely to have significant purchasing volumes. The additional reimbursement of six percent above ASP reduces the likelihood that these providers will face reimbursement below their acquisition costs. Without the six percent above ASP, many of these small rural providers could be put at risk, threatening access and care for extremely ill Medicare patients.

CHI understands the pressures Congress faces as it considers ways to reduce the budget deficit, but we ask that you oppose cuts to Medicare Part B drugs. Shortsightedly reducing payments below ASP +6% may provide near-term costs savings on paper, but pale in comparison to the real-life impact on providers and the Medicare patients they serve.

Sincerely,



Todd E. Gillenwater  
Senior Vice President, Public Policy