

THE WHITE HOUSE

WASHINGTON

January 26, 1994

Honorable Lynn Schenk
U.S. House of Representatives
Washington, D.C. 20515

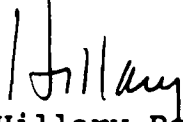
Dear Congresswoman Schenk:

Thank you for your letter on the impact of health care reform on the biotechnology industry. Research performed by the biotechnology industry is essential to the development of cures and treatments for cancer, AIDS, Alzheimer's and other deadly diseases. As you noted in your letter and as we discussed at our meeting, we must ensure that companies receive a fair return on investment in order to reward essential research and development and to attract necessary capital for continued research, while containing the costs of health care in this country.

The Health Security Act, as introduced, establishes an Advisory Council on Breakthrough Drugs to advise the Secretary of Health and Human Services on the reasonableness of launch prices of new drugs. The determination is based on a wide range of factors, including prices of other drugs in the same therapeutic class, cost information supplied by the manufacturer, manufacturing requirements and research costs, and improvements in quality of life offered by the new product. The Council does not have authority to mandate a reduction in the price of a new drug. The Secretary has the limited authority to exclude a newly marketed drug from Medicare coverage only if negotiations to determine a rebate amount fail.

Our challenge is to preserve innovation in the biotechnology industry and maintain quality of health care while controlling escalating costs. I look forward to continuing the discussion we have already begun on alternative approaches to achieve this delicate balance.

Sincerely yours,


Hillary Rodham Clinton

I really appreciated your personal letter and look forward to visiting with you soon.

LYNN SCHENK
49TH DISTRICT
CALIFORNIA

CC: MELANNE
CHRIS



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October 19, 1993

PAM 001 27 1993

First Lady Hillary Rodham Clinton
The White House
Washington, D.C. 20500

Dear ~~Madame~~ *Hillary* First Lady:

I know that I am not alone among my colleagues on the House Energy and Commerce Committee in my appreciation of your helpful and informative presentation on the President's health care reform plan. Your outstanding leadership and advocacy are crucial to our efforts to reform our health care system.

As I mentioned during the Energy and Commerce hearing, I share with you a particular interest in preserving the biomedical research capabilities of our health care system. Those of us who provide leadership on this issue face what I believe to be a moral imperative to encourage the efficient and effective use of all our national resources to find cures and therapies for AIDS, Alzheimer's, cancer and other deadly diseases. We must also recognize that this research presents not only the best hopes for treatment, but the best method to achieve quality care within the constraints of effective cost containment.

I am writing to follow up on the question I asked about the impact of health care reform on the innovative research of the biotechnology industry. As I mentioned at the hearing, my district includes many biotechnology companies, and I am continually impressed by the growing economic importance of the biotechnology industry and the significant hope it holds for finding treatments for presently untreatable diseases and medical conditions.

Overall, the biotechnology industry is the most research intensive industry in the country. Biotechnology companies spent \$5.7 billion on research in 1991, and research expenditures per employee averaged \$59,000. As you know, the industry can not use revenues from existing drugs to finance this research --in fact, the industry as a whole lost \$3.6 billion last year. Its funding comes almost exclusively from stock offerings to private investors and the public markets.

First Lady Hillary Rodham Clinton
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Unfortunately, these capital markets collapsed this past winter. 60% of American companies have less than two years of capital left, and they are using their capital at four times the rate they are raising it. This is unsustainable, and it means that research will likely be curtailed.

Dr. Tina Berger, Chief Operating Officer of Prism Pharmaceuticals (and one of a handful of women executives in this field), had to cut off promising research into ovarian cancer because her venture capital "dried up" the day after the President intimated there might be price controls. That is how sensitive these markets are.

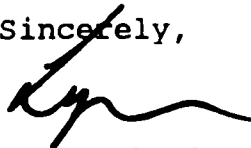
I share your commitment to the need for the cost-effective delivery of health care. However, the worst possible message for the Administration to send to the biotechnology industry would be to announce it will take specific action to control prices of only one segment of the health care industry -- breakthrough therapeutic drugs. Providing the Secretary of Health and Human Services with authority to deny reimbursement for "new" drugs deemed to be too expensive could have a devastating effect on future research.

I believe that the way to control costs and ensure that innovative research continues is to develop methods for evaluating the cost-effectiveness of all treatments -- drugs, devices, surgery, diagnostics -- in terms of patient outcomes. In this way we could evaluate not only the retail price of a breakthrough treatment, but its cost to the system when compared to other procedures.

I can not overstate the importance of health care reform to the biomedical industry. This plan can do much to stimulate this vibrant and exciting industry or it can cause it irreparable damage in its infancy.

I would appreciate the opportunity to discuss this issue with you and your staff at your convenience. I look forward to working with you and I am enormously grateful for your leadership.

Sincerely,



Lynn Schenk
Member of Congress

cc. Secretary Donna Shalala
Ira Magaziner