CHAIR JODEY ARRINGTON
HOUSE BUDGET COMMITTEE

# Health Care Task Force Chairman Burgess OpEd: *How to Pay for 21st Century Medicine*

**WASHINGTON, D.C. –** Today, House Budget Committee Health Care Task Force Chairman Michael C. Burgess, M.D. (R-TX) wrote an op-ed in *The Hill* highlighting the importance of increasing access to innovative treatments in the 21st century without breaking the budget.

> *"Medical science has surged forward in the last decade, offering fresh hope to patients with serious and life-threatening diseases. Previously fatal diagnoses have been miraculously transformed into treatable and even curable conditions.*
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> *But these life-changing advancements — especially gene and cell therapies — do carry a hefty price tag. Ensuring affordability and accessibility for patients who need these treatments and cures is a significant challenge, and an important priority for us to tackle.*
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> *Unfortunately, the current way we pay for the newest therapies was developed in the era of Blockbuster Video, not blockbuster science. In essence, we have 21st-century medicine trapped in the cogs of a 20th-century payment system.*
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> *The 21st Century Cures Act was enacted in December of 2016. While we were working through the legislation in the Energy and Commerce Committee in 2015, the question of affordability always loomed silently in the background. It is one thing to provide incentives for cures, but it's another to make sure they are affordable.*
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> *To save more lives, our payment innovations must match our medical innovations. We need a fresh approach — the creation of new payment pathways — that addresses the problem of affordability and access for these new therapeutics without heavy handed, innovation-killing price controls.*
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> *In his State of the Union address, President Biden demonstrated that he simply doesn't get it. He preached the shopworn ideas we've come to expect and even*

*proposed doubling down on Soviet-style price controls that will result in failure to launch new cures.*

*If we follow his approach, we won't just miss out on new advancements — we will turn the clock back on modern medicine.*

*We need a moonshot for cures and treatments, not a scattershot collection of rules and roadblocks. House Republicans have begun the process of developing reforms that will ensure affordability and access without stifling innovation.*

*It's a challenging balance, but we've begun this important work. The Health Care Task Force of the House Budget Committee is working with a variety of stakeholders — including think tanks, patient groups, and other thought leaders — to untangle this complicated web.*

*Among the issues we hope to solve with 21st century payment pathways is the problem of prescription drugs, unlike all other commodities, being entirely disconnected from whether a given drug works for a specific patient. Pay-for-performance approaches for high-cost cell and gene therapies — often known as outcome and value-based arrangements — would tie reimbursement to the manufacturer to the effectiveness of the therapy.*

*One such option to implement a pay-for-performance model is a "warranty approach," in which a manufacturer would refund a pre-negotiated amount of the drug's price to the payor and patient if the latter's health does not improve as expected.*

*A key issue facing payors when reimbursing for innovative, high-cost therapies is that beneficiaries in the U.S. often switch between different insurance plans between the time in which payment for a therapy is made and when the long-term cost saving benefits of a curative drug are realized. As a result, one payor could be on the hook for the price of a high-cost cell or gene therapy before a patient switches plans and the new payor reaps the benefits of a healthier beneficiary.*

*To address this issue, payors could collaborate to pool money across different insurance plans, to ensure liability is spread across the industry and different governments, ensuring all entities benefit from the curative power of cell and gene therapies while being protected from high costs. The funds in these risk pools could be used to lower patient costs.*

*Cell and gene therapies often have very high up-front prices, with benefits that can occur over a much longer period. For instance, curing a chronic disease could incur an immediate cost of over $1 million for a gene therapy, whereas the benefits of curing that chronic disease could reduce health care costs for years, if not decades. Mechanisms to allow payors and individuals to spread the costs over a designated period — a specific amount of money per month or per year, for example — could provide an avenue to ease high up-front costs and control out-of-pocket spending for beneficiaries.*

*Medical advances have opened a new world of hope for patients suffering from serious and life-threatening diseases. We need to match our 21st century science with 21st century payment models and offer patients hope without breaking the budget.*

*My legislation, the Preventive Health Savings Act, offers another new tool to help Congress identify the long-term savings generated by some of these novel therapies and assist in implementing new payment pathways.*

*We can keep marching forward and saving lives, or we can turn the clock back. Congress needs to address these challenges by anticipating the future instead of wallowing in the past."*

## Background

New cell and gene therapies have the potential to treat and even cure debilitating diseases; unfortunately, these innovative therapies often have high upfront costs to both patients and payors. However, cell and gene therapies hold the potential to yield significant savings to both patients and payors by curing costly diseases.

Alarmingly, **mandatory federal health spending now exceeds the entire discretionary budget and is projected to put significant upward pressure on the federal budget over the next 10 years**.

Given the significant budgetary pressure on payors, including state Medicaid agencies and commercial plans, that comes with covering these innovative therapies, ensuring affordability and accessibility for patients who need these therapies is a significant challenge – and an important priority for us to tackle.

**Led by the House Budget Committee, House Republicans are at the forefront of this issue**.

Earlier this year, the House Energy and Commerce Committee advanced legislation (Medicaid VBPs for Patients Act; H.R. 2666) which would permit states and pharmaceutical manufacturers to enter into value-based payment arrangements, as a pathway to cover high-cost cell and gene therapies in the Medicaid program.

Additionally, last month, the House of Representatives passed H.R. 766, *The Dr. Michael C. Burgess Preventive Health Savings Act (PHSA),* creating a mechanism for the Congressional Budget Office (CBO) to provide supplementary savings estimates over an extended 30-year window from preventive health care. Policies that expand patient access to gene therapies, such as for Sickle Cell Disease, often have high upfront costs but hold the potential to yield significant budgetary savings when analyzed over an expanded time horizon.

The Budget Committee's Health Care Task Force is intended to serve as a policy incubator to examine new ideas that improve patient outcomes and reduce federal health spending. The Task Force will bring together academics, think tanks, CBO, cell and gene therapy manufacturers, and other stakeholders to **examine new ways to increase patient access to these new therapies without breaking the budget**.