

Life Sciences Pennsylvania – State Advocacy Priorities for 2022

As the statewide trade association for Pennsylvania’s life sciences community, Life Sciences PA is committed to ensuring the Commonwealth is the most attractive location in the United States to establish, grow and develop a life sciences organization.

Life Sciences PA works with its State Policy Committee and various stakeholders in our diverse life sciences community to develop a shared set of recommendations and strategies that will support and enhance the entire ecosystem of the life sciences in Pennsylvania – from the lab bench to the patient’s bedside.

Advancing and Accessing Innovation

Drug Pricing vs. Out-of-Pocket Costs to Patients

Successfully healing patients or providing them enhanced quality of life drive the passion behind innovation. With only one in ten drugs surviving the development process, a successful commercial drug can cost more than two billion dollars and take 10-15 years before reaching a patient. Life Sciences PA works to ensure elected officials in Harrisburg understand the drug development process and that patient access to drugs through appropriate drug pricing in our market-based system are what has led the United States to produce more than 50 percent of the new medicines throughout the world.

“Drug pricing” is the cause of much debate in capitals throughout the country and determining who pays for what medicines and at what cost is an important discussion to have. Life Sciences PA believes all parts – pharmacy benefit managers (PBMs), health insurance companies, pharmacies, healthcare providers, and manufacturers – of our complex drug pricing system should be held accountable in this debate. It is incumbent upon all of us to ensure all parts of the prescription drug supply chain are acting in good faith and working to keep costs, especially those out-of-pocket costs borne by the patient, at an accessible level.

Patient Access

Patients provide critical testimony on the effect of policy and regulations in their treatment and quality of life. Remaining focused on the voice of the patient is at the core of all innovation in the life sciences. Especially as medicines have become more individualized, the role of the patient in researching and developing new medicines has become increasingly important. Through Rare Disease Day and in working with our more than 40 patient advocacy group members, Life Sciences PA amplifies the voice of the ultimate beneficiary of our member company research and development: patients.

The novel cures and treatments being developed by our member companies mean little if the patients they are meant to serve face barriers in accessing them. Life Sciences PA is opposed to patient-last insurance policies such as step therapy, prior authorization, nonmedical switching and copay accumulators that inhibit the physician-patient relationship. As biomarker testing continues to advance and create new pathways to diagnoses and streamlined treatment for myriad disease states, Life Sciences PA stands in support of policies that create the most inclusive access for patients.

Right to Repair Legislation

Medical devices, like most complex equipment, need periodic maintenance and repair. Proper servicing of these life-saving and life-sustaining devices is vital to their safe and effective functioning and the safety of patients and device users. As part of their commitment to patient safety, original equipment manufacturers (OEMs) dedicate extensive resources to establishing comprehensive servicing programs to ensure their devices are properly maintained and continue to meet safety and effectiveness requirements determined by the Food and Drug Administration (FDA). Unfortunately, however, legislation is being adopted in states throughout the country that would allow third-party repair servicers to attempt to repair these complex devices, and no longer rely on OEMs. This legislation is known as “Right to Repair.” Giving unregulated third-party servicers unlimited access to service manuals and other proprietary OEM information would serve to put patients and device users at greater risk. Access to the latest manuals is no substitute for the extensive training, knowledge and expertise provided by the OEM. Life Sciences PA stands firmly opposed to any Right to Repair legislation in Pennsylvania that would allow [third-party servicers to interfere with medical devices](#).

Developing the Life Sciences

Because the path to commercialization in a life sciences company can take 10-15 years, economic development support from Pennsylvania can be a company’s life blood as they work toward reaching significant milestones. Vital economic development programs such as the Ben Franklin Technology Partners and the Life Sciences Greenhouses support companies as they move through the lengthy process of developing and commercializing a new medicine or device. Additionally, these economic development programs help attract life sciences entities from other states and other countries. A detailing of Pennsylvania’s economic development programs can be accessed at [Pennsylvania’s Community and Economic Development – Governor’s Action Team website](#).

SBIR Matching Grants

Innovative research and the development of groundbreaking medicine, therapeutics and diagnostics is a top priority for life science companies throughout Pennsylvania. These innovations require an abundance of resources, which is why support at both the federal and state levels are important. Many of these companies rely on SBIR (Small Business Innovation Research) funds as a critical component to moving their work forward. Because these federal funds are critical to innovation many states have created a matching program to provide additional, dedicated funds to further diffuse these costs. It is our goal at LSPA to bring a state matching program to SBIR funding to further support our life sciences ecosystem in Pennsylvania. Pennsylvania already has the existing infrastructure in the Life Sciences Greenhouses and the Ben Franklin Technology Partners to administer a state-level process and distribute state funds to the federal SBIR grant recipients who have already been identified by the National Institutes of Health (NIH).

Pennsylvania’s Life Sciences Greenhouses

The Life Sciences Greenhouses capture the innovation potential of the life sciences industry and nurture

that potential with critical early-stage funding and sector-specific business expertise. With locations in Pittsburgh, Harrisburg and Philadelphia, citizens from every part of Pennsylvania benefit directly as new companies are formed, jobs are created, additional capital is attracted to the Commonwealth, and life-saving technologies reach patients. [Life Sciences PA is supportive of the Governor's 2022 – 2023 proposed budget to fund the Life Science Greenhouses at their annual level of \\$3 million.](#)

R&D Tax Credits

The Research and Development Tax Credit Program is vital for innovation as this program rewards increased research and development year over year. A business can apply for a ten percent credit equal to its increase in its three-year average of its research and development expenditures with qualified small businesses eligible for a twenty percent credit. An especially important part of this program is that these tax credits are tradeable for those companies not yet commercial and in the life sciences industry, because the path to commercialization can last more than a decade, the tax credit may be just enough for a firm to make it to the next milestone and continue important product development. Life Sciences PA is supportive of increasing the cap on the R&D Tax Credit Program from \$55 million to \$100 million annually.

Keystone Innovation Program

The Keystone Innovation Zones (KIZ) are a great option for start-up life sciences firms to establish an office location as they provide tax credits against the company's tax liability with unused credits available for up to five years. KIZs are in strategic locations statewide. [Life Sciences PA is supportive of the Governor's 2022 – 2023 proposed budget to fund the Keystone Innovation Program at their annual level of \\$15 million.](#)

Ben Franklin Technology Partners

The Ben Franklin Technology Partners (BFTP) is one of the nation's longest-running technology-based economic development programs. Begun in 1983 and positioned strategically throughout the state with regional headquarters in the Lehigh Valley, Philadelphia, Pittsburgh and State College, BFTP has provided funding to early-stage and established companies – including life sciences companies – as well as business and technical expertise and access to a network of innovative, expert resources. [Life Sciences PA is supportive of the Governor's 2022 – 2023 proposed budget to increase funding for the Ben Franklin Technology Partners by \\$18 million dollars.](#)

Other Support Economic Development Programs

- [Pennsylvania First Program](#)
The Pennsylvania First (PA First) Program is a discretionary cash grant awarded to promote job creation and capital investment in the Commonwealth. Though industry agnostic, this program offers support for projects with substantial economic impact for the Commonwealth as a whole, or for the locality/region in which a business will locate or expand.
- [CURE Funding](#)
Dispersed by the Department of Health, the CURE Program awards grants to Pennsylvania-based

organizations for biomedical research, clinical investigations and health services research. Studies funded by the grants aim to improve the delivery of health care, promote health, prevent disease and injury, and translate research advances to community health care practice.

Strengthening the Commonwealth

The Commonwealth of Pennsylvania is a destination for Americans to start and grow business, raise families, attend secondary schools and obtain post graduate degrees among many other reasons. Keeping the Commonwealth healthy and strong for its residents is as important as innovating and finding new treatments and cures. Beyond simply providing new treatments and cures to patients, Life Sciences Pennsylvania and its member companies are committed to:

Creating Jobs and Growing the Economy

Pennsylvania's Life Sciences industry is a backbone of the Commonwealth's economy. In 2016, total, direct Life Sciences industry employment in Pennsylvania was 112,068 at more than 2,800 life sciences establishments. Additionally, the industry was responsible indirectly for another 230,000 jobs through business purchases and household expenditures. The average annual pay per employee in the life sciences in 2016 was \$137,976, which was an increase of 13.9 percent since 2011. All told, the industry generated a total state economic output of \$88.5 billion – comprised of a direct economic impact of \$48.8 billion and indirect economic impact of \$39.6 billion.

One caveat to these strong numbers is that of the Commonwealth's more than 2,800 life sciences establishments, more than half of those are comprised of fewer than 10 employees. While that is exciting, and very entrepreneurial in spirit, it is also fragile as many of these companies face long-odds to success, which is why it's important to continue to support policies that encourage investment in the life sciences.

Association Health Plans

Starting and running a life sciences company comes with a number of significant costs for our member companies. These costs can be a defining factor for startups in the life sciences as to whether they flourish or collapse. One of the largest expenses for these small companies is health insurance. In fact, health insurance costs are the second highest expense after employee salaries. Offering competitive benefits packages is a key factor in both attracting and retaining top talent. Unfortunately, however, small companies are often left with few and expensive options for insurance coverage. One thing that could drastically improve these options, however, is the adoption of an Association Health Plan (AHP). Association Health Plans are a type of group medical insurance for employers that allows smaller companies to access the health insurance savings associated with large group medical coverage. By adopting an Association Health Plan at Life Sciences PA, our members could improve their purchasing power by pooling all enrollees throughout the Association.

Favorable Business Tax Policy

Pennsylvania has one of the least competitive corporate tax environments in the country. In 2022, the Commonwealth ranked 44th out of 50 states in the Tax Foundation's Corporate Tax Rank. This ranking is due to two main contributing factors; PA is one of the few states that caps the usage of net operating

losses and we have the highest non-graduated Corporate Net Income (CNI) tax rate in the country, at 9.99 percent.

Life Sciences PA is working diligently with other stakeholders throughout the Commonwealth to reform both of these issues. We believe that by [improving the CNI tax rate and making net operating losses tradable](#), Pennsylvania will become a more attractive place to start, operate and grow life science companies.

Public Health Benefits of Prevention

Though much of Life Sciences PA's work is focused on bringing novel treatments and cures to patients, it is important to note that our Commonwealth is a robust manufacturer of vaccines, and other products that keep individuals out of the costly hospital setting, off the operating table, and active in their communities. Vaccines have virtually eradicated diseases like polio, whooping cough and typhoid fever. Unfortunately, recent online movements – none of which are grounded in hard science – have led people to believe vaccinations are unhealthy, or have alternative health consequences, hence the recent rise in cases of mumps, measles, and other easily preventable diseases. Life Sciences Pennsylvania will continue to advocate for policies that ensure children, and adults, have access to vaccines that prevent a wide-range of debilitating, and sometimes deadly, diseases.