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Dear Council for Tax Reform and Fairness for Georgians:

I am writing on behalf of the Pharmaceutical Research and Manufacturers of America (PhRMA) to express our concerns with the potential elimination of the existing sales tax exemption for pharmaceuticals in the state of Georgia. PhRMA represents the country's leading pharmaceutical research and biotechnology companies, which are devoted to inventing medicines that allow patients to live longer, healthier, and more productive lives. We appreciate the opportunity to provide comments on behalf of our members to the Georgia Taxation Realignment Commission on the proposed sales tax on prescription medicines.

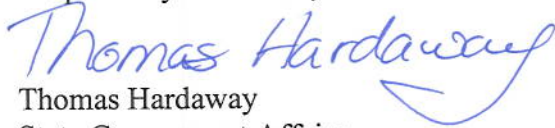
By imposing a new sales tax on prescription medicines, Georgia will be imposing a financial burden on its acute and chronically ill residents in an attempt to raise state revenues. Essentially, the TRAC commission will be recommending that Georgia seek to balance part of its budget deficit on the backs of its sickest residents, residents often saddled with a lifelong burden of chronic illness or trying to restore their health so they can return to work in these trying economic times. Beyond the regressive nature of this proposed tax and its impact on patients, it may have the unintended consequence of increasing overall health costs and negatively affecting patient health outcomes. Research has shown that by creating financial barriers, such as a prescription drug sales tax, patients are less likely to fill prescriptions or fully take a prescribed regimen of medicines, resulting in poor health outcomes and lost productivity. Numerous studies show high rates of nonadherence directly related to poor clinical outcomes, high health care costs, and lost productivity. The cost of nonadherence has been estimated at \$100 billion to \$300 billion annually, including costs from avoidable hospitalizations, nursing home admissions, and premature deaths¹.

Chronic illness represents a growing burden for public and private health resources, and Georgia has a high rate of chronic illness among its resident population. While we sympathize with difficult economic situations in statehouses across the United States, PhRMA and its members believe imposing regressive taxes on basic health necessities are not positive health and tax policy decisions. Patients deserve timely, unrestricted access to medicines and a tax on prescriptions may create hardships on a sizeable portion of state residents.

¹ L. Osterberg and T. Blaschke. "Adherence to Medication," *New England Journal of Medicine*, August 2005 and M.R. DeMatteo, "Variation in Patients' Adherence to Medical Recommendations: A Quantitative Review of 50 Years of Research," *Medical Care*, March 2004.

PhRMA appreciates this opportunity to express our concerns regarding the proposal to impose a sales tax on medicines. While PhRMA understands the constraints facing Georgia's budget in this and every fiscal year, we have serious concerns that the proposed sales tax will actually end up costing patients and ultimately the state. We strongly urge the TRAC commission to reconsider efforts to impose these regressive policies. If you would like to contact me at anytime regarding this or other issues, please do not hesitate.

Respectfully submitted,



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