

**SENATE STANDING COMMITTEE ON  
COMMUNITY AFFAIRS**

**LEGISLATION COMMITTEE**

**Inquiry into the National Health  
Amendment (Pharmaceutical Benefits  
Scheme) Bill 2010**

**SUBMISSION**

**SUBMISSION NUMBER: 16**

**SUBMITTER**

**Eli Lilly Australia Pty Ltd**

20 October 2010

Committee Secretary  
Community Affairs Legislation Committee  
PO Box 6100  
Parliament House  
Canberra ACT 2600

Dear Secretary,

**INQUIRY INTO THE  
NATIONAL HEALTH AMENDMENT (PHARMACEUTICAL BENEFITS SCHEME) BILL 2010**

Eli Lilly Australia (Lilly) supports the proposed *National Health Amendment (Pharmaceutical Benefits Scheme) 2010 Bill* and the associated Memorandum of Understanding (MoU) between Medicines Australia and the Australian Government.

Lilly is a leading pharmaceutical company that develops new medicines to help people live longer, healthier and more active lives. Medicines developed by Lilly treat conditions including: lung cancer, bi-polar disorder, type-2 diabetes, depression and osteoporosis.

The MoU and the current Bill delivers significant savings to Government, process improvements to the listing of medicines and certainty of pricing for innovative medicines on the Pharmaceutical Benefits Scheme (PBS).

Certainty of pricing is critical. Certainty helps provide the necessary stable platform for investment in the development of new medicines.

Developing new medicines is a race against time. As an innovative company Lilly must find new and viable medicines before the patents for existing discoveries wind down. This is getting harder and more expensive. The rate of discovery of viable, new medicines is slowing. The discovery of 'blockbuster' medicines has all but ended. The costs for developing viable new medicines, currently \$US1.5 billion over 15 years, continues to increase.

At the same time, the innovative medicines industry is facing a wave of expirations of key product patents. Four of Lilly's top seven selling medicines face patent expiration in a two-year period from 2011 to 2013. These expirations account for fully two-thirds of Lilly Australia's revenue.

This is the commercial reality that Lilly accepts. While Australian prices for our newly discovered medicines are accepted as well below OECD average (unlike generic medicines which are comparatively high) we do not ask for price protection, just assessment of our products on merit and, thereafter, reasonable certainty for that price during its patent life.

We will meet the commercial challenge the way we always have. Currently, Lilly has close to 70 prospective medicines under investigation. They offer potential improved treatments for a range of cancers (including breast, gastric and melanoma), Alzheimer's disease, diabetes and mental health issues.

The discovery process is highly uncertain. In the last 15 months, three promising, potential treatments for osteoporosis (Arzoxifene), multiple sclerosis (Dirucotide) and Alzheimer's disease (Semagacestat) have failed after having reached late stage clinical trials. These trials have involved hundreds of sufferers of these diseases, many years and cost hundreds of millions of dollars. They represent huge disappointment for both sufferers looking for treatments and Lilly staff. Despite such set-backs, Lilly remains focused on the task of discovery and development.

Australia is an important part of that task. In 2009, Lilly invested more than \$30 million in Australian clinical trials and related activities. Australia is home to ICIS (Intercontinental Information Sciences) Lilly's regional centre of excellence which supports clinical research within the Asia Pacific region and emerging markets. In addition, over the last six months, Lilly has:

- entered agreement to assist in developing Axiron, a promising treatment for hypogonadism, pioneered by Melbourne firm Acrux. The agreement is worth up to \$US335 million excluding royalties;
- become a cornerstone investor in new \$US250 million Queensland-based biotechnology fund; and
- made further partnerships (details commercial-in-confidence) with Melbourne firm Starpharma.

Lilly is actively looking in Australia for new opportunities to build partnerships into the future. This week Dr Robert Armstrong, Lilly's Vice President, Global External Research and Development, will be addressing Ausbiotech 2010 in Melbourne in this regard. Thereafter he will be visiting Brisbane, Sydney and Canberra to meet with additional Australian biotechnology firms and organisations.

Investments like these don't just secure manufacturing jobs. They secure many other jobs, including tertiary-qualified positions, across the innovative medicines industry. Most importantly, they create new jobs in research and development at the highest level. These jobs support skills and add value to the economy far beyond their number. They also help deliver better medicines.

Every day, the medicines Lilly has developed help hundreds of thousands of Australians live longer, healthier, more active lives. We are working hard to ensure that the medicines we are developing

may help many more. The *National Health Amendment (Pharmaceutical Benefits Scheme) 2010 Bill* is part of a scheme that provides certainty and helps bring the investments that will help us do that.

We encourage the Committee to support the passage of the legislation.

Please do not hesitate to contact Stuart Englund ((02) 9325 4669 or [englundst@lilly.com](mailto:englundst@lilly.com)) if you have any questions concerning this Submission.

Sincerely,

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**Medical Director**  
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**Peter Vermeer**  
**Director, Corporate Affairs & Market Access**  
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