



COMMENTS: U.S.-EU HIGH LEVEL WORKING GROUP

Alliance for Healthcare Competitiveness

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Mr. Daniel Mullaney
Assistant U.S. Trade Representative/Europe and the Middle East
Office of the U.S. Trade Representative
600 17th Street NW
Washington, DC 20004

Dear Mr. Mullaney,

The Alliance for Healthcare Competitiveness is grateful for this opportunity to present comments on the proposed U.S.-EU High Level Working Group. AHC is a group of 19 leading firms and non-profits involved in American health, including health care providers, medical device and pharmaceutical manufacturers, insurers, health IT, hospitals, pharmacy, health-specialized architects, and other participants in America's \$2 trillion health sector. The proposed High Level Working Group is of great interest, since the European Union is the site of nearly a third of world health spending, the principal buyer of American exports of health products, and is experimenting with new approaches to health care systems. In these circumstances a successful US-EU trade initiative has great potential to help improve health outcomes for patients, and support growth and employment, for patients in the United States and Europe alike.

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To provide some background first, America's health ecosystem produces goods and services valued above \$2 trillion annually. American health businesses employed 14 million people last year – a total that has grown by a net of 1.0 million jobs since the 2008 financial crisis, as the rest of the private-sector economy lost a net of 5.8 million jobs – and accounted for 19 percent of all net job growth in 2011. Health-sector jobs pay well, averaging \$25.94 per hour for health services (as compared to \$23.18 for the private-sector economy and \$23.94 for the manufacturing sector) and higher levels for professionals, scientists, and health-sector manufacturing.ⁱ This contribution to employment and incomes will likely grow; the Bureau of Labor Statistics projects that health industries will account for 26 percent of all net new job creation in the U.S. over the next ten years.ⁱⁱ Health-sector industries, finally, are large contributors to America's technological progress, as the sector's businesses, labs and universities

account for \$56 billion out of \$242 billion in private-sector R&D.ⁱⁱⁱ Thus the success of the health sector is an important part of the success of the American economy in general.

Health industries are successful exporters as well as major parts of the domestic economy. Exports of U.S. health manufactures tripled over the last decade and reached \$75 billion in 2011. Intellectual property creation is an important driver of innovation in the health field. Though aggregation of data makes precise estimates of intellectual-property income and services exports impossible for the moment, health industries rely heavily on intellectual property income, and exports of health services are large as well.

Given the growth in worldwide demand for health care in the coming decade, with the right policies the health sector can be the foundation for a sustained boom in American exports, and the European Union is an especially appropriate focus for a major trade initiative.

The EU is one of the world's very large health consumers, accounting for 10 percent of EU GDP or about \$1.5 trillion.^{iv} This large scale makes it a large buyer of American health-sector exports: \$37 billion of the \$75 billion in pharmaceutical and medical device export revenue for 2011 came from sales to European Union members,^v and the EU also accounted for \$15 billion out of \$36 billion in revenue from patents.^{vi} Services statistics do not allow us to tabulate health industry services in detail, but in general the European Union is the market for a third to a half of U.S. exports of research and development, insurance, and professional services.

Looking ahead, European governments face demographic challenges as populations age and tax bases decline in a relative sense. Thus they, like the United States, are experimenting with ways to use technology, manage care efficiently, broaden patient choices and reduce budgetary pressures by reforming their national health care systems and modernizing the way patients access and receive care.

In these circumstances, an imaginative trade agenda offers many benefits. This should not be about seeking to 'export the American health system,' nor quarrelling with European national choices about the mix of public and private payer systems. Rather, a careful agenda can build on a large existing relationship by tapping our ability to offer high-quality care and new options in care management, funding, and treatment to broaden the options open to Europe's patients, providers, and governments. Our recent White Paper highlights, for example, the use of telemedicine originating in American hospitals to serve patients in small or rural European regions, or locations whose seasonal population varies with the tourist season.^{vii} We also see opportunities in improving regulatory policy and transparency, in order to enable patients to access new technologies that can improve care and reduce costs across the health-care system as a whole.

Detailed goals for the health sector in trade with Europe will need to be fitted to the format of talks and recognition that each EU member state is largely responsible for its own healthcare system. But as a general rule we support seven broad principles, broadly pointed toward efficient care, improved health outcomes, fair and transparent regulation, and open markets, as follows:

- *Zero-tariff and zero-Non-Tariff Barrier policies for medicines and medical devices.*
- *Transparent, accountable and nondiscriminatory regulatory systems* for approval of new medicines and devices, to include avenues for appeal to a clear higher authority when appropriate, and a more coherent, simplified overall system.
- *Efficient standards-setting*, to ensure safety, quality, performance, compatibility and ease use of new devices in developed and developing countries.
- *Competitive government procurement systems and disciplines on State-owned Enterprises*, to ensure access and avert discriminatory purchasing requirements in goods and services.
- *Services-sector goals applied to payers such as insurers, providers such as hospitals, IT providers, professionals and others* to ensure open and competitive markets for services, including providers, health IT, health-specialized architecture, and payers in those cases where private insurance complements public insurance or is the principal payer.
- *Robust protection of intellectual property rights* reflecting those in American law.
- *Electronic Commerce/Telemedicine*: Special focus for telemedicine, enabling providers to export services across borders and ensuring that, consistent with appropriate professional-service standards for provision of any service, national policies do not discriminate against services provided via telemedicine, consistent with the 2011 U.S.-EU statement on data-flow policy.

AHC members are therefore pleased to support the launch of an ambitious trade and investment dialogue with the European Union, and will work closely with USTR and other trade agencies to match the negotiating fora to our policy priorities. Given the common challenges to health care in the United States and Europe, the large existing relationships in manufacturing and research, the possibilities to accelerate mutually beneficial innovations in technology and provision of care, and the very large scale of the European health market, we believe this initiative can be especially rewarding in the health sector. We are thus highly interested in working with the administration to design a comprehensive, coherent approach to health-sector trade with Europe.

We look forward to assisting and offering advice as your work continues, and thank you for this opportunity to present our views.

AHC members include Abbott Labs, AdvaMed, Aetna, American College of Cardiology, BIO, GE, George Washington University Center for Global Health, Johnson & Johnson, The Joint Commission, Medtronic, National Nursing Center Consortium, OMMA Healthcare LLC, Perkins + Will, Pfizer, PhRMA, Underwriters Laboratories, UnitedHealth Group, United States Council for International Business, and the University of Pittsburgh Medical Center.

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- ⁱ Bureau of Labor Statistics, Current Employment Statistics Survey, <http://stats.bls.gov/data/>
- ⁱⁱ Bureau of Labor Statistics, Job Openings and Labor Turnover Survey, <http://stats.bls.gov/data/>
- ⁱⁱⁱ National Science Foundation, *Science and Engineering Indicators 2010*, Table 4/16, at <http://www.nsf.gov/statistics/seind10/tables.htm>, Table 4/16; and
- ^{iv} *World Development Indicators 2011*, World Bank, Table 2.16
- ^v International Trade Commission Dataweb, at dataweb.usitc.gov
- ^{vi} *Royalties and License Fees, Receipts and Payments 2008-2010*, Bureau of Economic Analysis, International Services Statistics, at http://www.bea.gov/international/international_services.htm, Table F .
- ^{vii} *America's Health Ecosystem in the Emerging Global Health Market*, Alliance for Healthcare Competitiveness, September 26, 2011, at <http://www.healthcarecompetitiveness.com/documents/ahc.whitepaper.final.pdf>