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AZBIO™

ARIZONA BIOINDUSTRY ASSOCIATION

Public Policy Guide 2026-2027

AZ BIG MEDIA™

AzBusiness Magazine

The Arizona Bioindustry Association (AZBio)

is the only organization exclusively focused on Arizona's life science and healthcare industry.

Our Vision of the Future
Arizona is a top-10 life science state.

Our Mission
AZBio supports the needs of Arizona's growing Life Science Ecosystem.

Our Focus
Support innovation, grow opportunity, and serve patients.

AZBio Leadership
understands that while focus is important, action is essential. AZBio's leaders identify opportunities and then execute to leverage them.

AZBio Membership
includes patient advocacy organizations, life science innovators, educators, healthcare partners, communities and leading business organizations.

AZBio Programs
are designed to connect and engage our community, foster collaboration, and to attract and conserve precious resources.

AZBio Communicates
on AZBio.org, via IN THE LOOP, by maintaining the statewide events calendar, and connects talent to opportunity at the AZBio Career Center.

AZBio Creates Bottom Line Impact
AZBio Members who utilized AZBio's purchasing contracts saved over $4 Million dollars together in 2025.

AZBio Supports Economic Development
investors, real estate developers, site selectors, economic development agencies and our elected leaders trust AZBio to provide the information they need to retain and grow the industry sector.

AZBio is active at the state and national level
working to advance innovation and to ensure that the value delivered from life-changing and life-saving innovation benefits people in Arizona and around the world.

AZBio is Committed
to making Arizona a Top-10 life science state and we invite you to join us.

Learn more at AZBio.org

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AZBIO™
ARIZONA BIOINDUSTRY ASSOCIATION

MAKING LIFE BETTER

It's what AZBio members do.
AZBio helps them do it.
AZBio supporters make what we do possible.

LEGACY SUPPORTERS

ARIZONA COMMERCE AUTHORITY

Bio Biotechnology Innovation Organization

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AZ BIG MEDIA

WEXFORD SCIENCE+TECHNOLOGY

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SUSTAINING MEMBERS

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Bristol-Myers Squibb
Bright Path
Castle Biosciences
Corporate Traveler
CRB
Creighton University
CSL Behring
Darwin Research Group
Dexcom
DPR Construction
City of Flagstaff
Genentech
Goodmans
GSK
HonorHealth
International Research Center
J.P.Morgan
Maricopa Community Colleges
Mayo Clinic
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Medtronic
NACD Pacific Southwest Chapter
PBC Phoenix Bioscience Core
PhRMA
Novartis
PADT Medical
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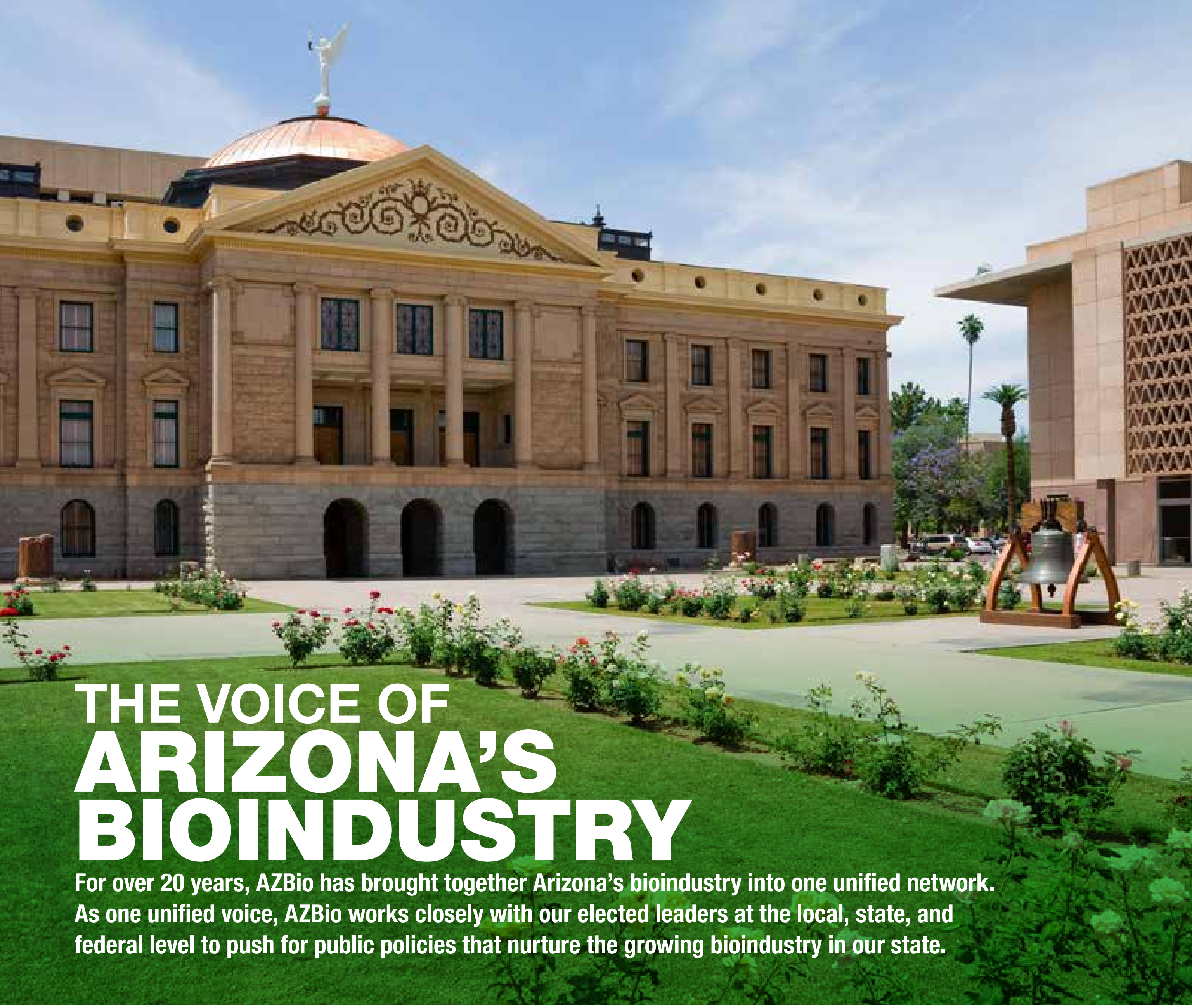


THE VOICE OF ARIZONA'S BIOINDUSTRY

For over 20 years, AZBio has brought together Arizona's bioindustry into one unified network. As one unified voice, AZBio works closely with our elected leaders at the local, state, and federal level to push for public policies that nurture the growing bioindustry in our state.

AZBio shares the timely and accurate information our elected leaders need so that they can develop and implement public policies that support the continued growth of our industry and that provide the people of Arizona with access to the life saving and life changing innovations our industry discovers, develops, and delivers, every day.

AZBio is the only organization exclusively focused on supporting the growth of Arizona's life science and healthcare sector. Dorn Policy Group is AZBio's official representative at Arizona's State Capitol. At the federal level, AZBio works with our partners at BIO, PhRMA, AdvaMed, MDMA, and other organizations on the key issues that affect our members and our industry locally, nationally, and internationally.

AZBIO™
ARIZONA BIOINDUSTRY ASSOCIATION

LEARN MORE AT AZBIO.ORG/ADVOCACY

AZBIO
PUBLIC POLICY GUIDE

Improving lives

Arizona's life science industry is working on finding answers to global health challenges that affect people around the world, as well as those that are centered specifically in Arizona. We are helping people live longer and have a higher quality of life through innovations in diagnostics, medical devices, vaccines, and other therapies. And, as medical technology and information technology converge, Arizona innovators are creating solutions that detect and diagnose diseases, improve care outcomes, and keep us healthy.

Increasing economic vitality

Goal: Double our economic impact by 2033. One of Arizona's largest employment sectors, the life science industry includes over 3,652 firms, wages significantly higher than state averages, and an overall economic impact of over $43.64 billion in 2023. Arizona's bioindustry works with our students, educators, innovators, and business partners to ensure that Arizona continues to benefit from the economic vitality this industry can deliver to our state. AZBio Member organizations employ over 365,000 Arizonans and continue to grow that number daily.

Reducing healthcare costs

A healthier society leads to a stronger and more powerful economy. By keeping more people healthy and caring for those who are not, we create a benefit that is measured in more than just dollars.

Working with our healthcare partners, we are committed to better outcomes, early diagnosis and treatment, cost-saving innovations, and a benefit to cost equation that continues to grow value. With these tools, we can make healthcare more accessible for everyone.

VISION

AZBio is committed to making Arizona a top-10 bioscience state.

Over the last decade, Arizona has made remarkable progress, but we still have gaps to bridge to get to the top 10. Top-tier bioscience states have mastered the 3-Ds and strike a balance between investments and results across three major areas: ***Discovery, Development, and Delivery.***

Discovery comes from the exploration of what might be possible. It occurs in our universities, private research institutes, private companies, and in clinical settings. We have attracted top talent, and we aim to attract more. That means more investment and support will be needed from government, industry, and philanthropic partners.

Development comes next in the form of university tech transfer, translational research, industrial development, or clinical development and trials. None of this happens without capital. Development capital is increasing both from state governments and private sources. It is not here in Arizona at the level required to support Arizona's potential for growth. Our Innovators waste time traveling to "follow the money" and sometimes relocate to receive it. Unless Arizona resolves its investment capital gap in a meaningful way and with a life science focus, the benefits of our discovery investments will be realized somewhere else.

Delivery, taking products to market and gaining market acceptance is the last step. All the discovery and development in the world would mean little if there is not an ultimate benefit for customers, patients, and investors. Delivery requires higher levels of investment and a labor force that can support it. Investments in our workforce begin at the K-12 level and extend through our community colleges, university systems, and other workforce training programs. Having a strong educational system is a prerequisite for attraction and retention of biotech and medtech companies and their employees.

To become a top 10 bioscience state, Arizona must master the 3-Ds and support our stated intentions with committed and sustained investments across Arizona's public and private sectors. When we do, we grow. If we do not, Arizona innovations will still emerge; but the benefits of increased employment and tax bases will be felt elsewhere.

INVESTING IN ARIZONA'S FUTURE

Arizona has a long-standing history of enacting innovative public policies and strategic investments to enhance quality of life. Over two decades ago, voters supported **TRIF** and launched an expanding bioscience sector that catalyzed today's economic growth. The **state legislature** built on this momentum by providing $500 million for **university research infrastructure** in 2003, followed by an additional $1 billion bonding authority in 2017. Later, the FY2022 budget introduced the **New Economy Initiative** to equip the state's workforce for evolving market demands, a commitment that has since grown to more than $250 million. Together, these funding measures continue to drive strong economic expansion across multiple sectors, including healthcare.

In FY2026, the state allocated over $200 million for new university projects.

Technology & Research Initiative Fund (TRIF)

Proposition 301 funded K-12 schools, community colleges, and public universities. The legislature extended the measure for 20 more years in 2018. Twelve percent of revenues go to the Arizona Board of Regents to expand research, workforce development, and higher education access. These non-lapsing funds have totaled over $1.95 billion since 2001, including more than $138 million allocated to state universities in FY2025.

Arizona can optimize return on investment and generate greater economic impact by turning local discoveries into products and services developed and delivered by Arizona companies.

Arizona's bioindustry continues to expand rapidly. In 2025, the state ranked first nationally for life science job growth. The economic impact generated by the bioscience industry rose from $23.16 billion in 2016 to $38.54 billion in 2021 and surpassed $43.64 billion in 2023. Updated economic data through 2025 will be released by AZBio in December 2026.

Arizona Health Innovation Trust Fund

AHIT was created during the 2022 legislative session. The trust received an initial $100,000 seed allocation in the FY2023 state budget and is managed by the Arizona State Treasurer's Office (ASTO). Following a five-year maturation period, ASTO will distribute 4% of the fund's five-year average balance to a contracted, qualifying 501(c)(3) nonprofit to execute on the programs outlined in the statute. Further state investments remain essential to reaching the trust's target capitalization of $250 million.

AZAdvances™
Opportunity Through Entrepreneurship Foundation

Developed by AZBio and the Opportunity Through Entrepreneurship Foundation (OTEF), AZAdvances is an initiative designed to close the early-stage funding gap in the state's bioscience sector, support our entrepreneurs, and develop our workforce. The initiative satisfies AHIT's statutory requirements and OTEF is contracted with ASTO to fulfill the trust's mandate. Once the Arizona Health Innovation Trust Fund reaches $250 million and fully matures, AZAdvances will operate as a self-sustaining entity. In the interim, $10 million in annual funding is required to bridge the development gap and commercialize local discoveries, prompting AZBio to seek both public allocations and private contributions to support the initiative.

	Arizona Metric	Ranking Nationally
Jobs	40,399	#10
Firms	3,652	#14
Avg. Wage	$102,161	#30
Venture Capital	$1.12B	#23
Economic Impact	$43.64B	#20

Data as of CY2023 – 2025 Data will be released in Q4 2026.

State Funding for AHIT

One option to fund AHIT is for Arizona's elected leaders to direct that, beginning in FY2027, ten percent of the funds shifted from the Arizona Prescription Drug Rebate Fund to the Arizona General Fund will be annually appropriated to ASTO for the Arizona Health Innovation Trust Fund and prescribed programs until the fund balance reaches $250 million.

From this ten percent allocation, a non-lapsing sum of $5 million will go directly to the contracted 501(c)(3) nonprofit performing the trust's programmatic work under A.R.S. § 41-177, while the remaining balance will be deposited into the trust fund itself.

To further support the fund's mandate of driving medical innovation and improving public health, the Arizona Attorney General could identify applicable awards and legal settlements as additional public funding sources to supplement public and private contributions.

Why this is good for Arizona

By strategically leveraging resources to improve public health, lower overall healthcare costs, and strengthen the state's economy, the Arizona Health Innovation Trust Fund and its programs accelerate growth of a sector that created over $43.64 billion in economic impact in 2023, generates high-paying jobs and is expanding the tax base that supports vital public services. By allocating just 10% of the annual Prescription Drug Rebate Fund shifts, the state would reinvest dollars it receives from global drug companies into building our local health innovation economy. Additionally, encouraging the Attorney General to direct legal settlement funds from predatory actors into the trust reinvests those penalties into developing local health solutions while reaching the $250 million capitalization goal sooner.

AZBIO PUBLIC POLICY PRINCIPLES

AZBio serves as a reliable and trusted resource to our elected and appointed leaders on issues and opportunities that affect our bioindustry, communities, state, and nation.

BUILDING PUBLIC POLICY FOR ALL OF US

AZBio works to build creative solutions that create environments where all individuals are valued, respected, and have the resources to thrive in our educational systems, workforce, research & clinical trials programs, innovator companies, and healthcare delivery systems.

AZBio is the voice of Arizona's life science community. Our member organizations include patient organizations, educators, researchers, biotech and medtech companies, hospitals, utilities, economic developers, real estate developers and builders, financial services companies, law firms, and more. AZBio members employ over 365,000 Arizonans.

Our datasets of economic impact and key workforce data extend back to 2012 and are regularly updated to provide both an Arizona perspective as well as benchmark data on how Arizona compares nationally.

Our active participation in national organizations allows us to identify innovative programs in other states and explore how they could benefit Arizona.

AZBio is in a unique position to help our elected leaders balance the needs of stakeholders in critical public policy discussions. As we have seen in recent years, public policy decisions at the federal level can have a significant impact on what happens in the state.

BIG ISSUES

The **Chips & Science Act** was a contributing factor to Arizona being the site of the largest single foreign direct investment in U.S. history, as TSMC initially committed to building one fab, and has grown a total planned investment of $265 billion in north Phoenix. **Onshoring critical life science infrastructure** is also a focus of the Chips & Science Act and an opportunity for Arizona to also expand this critical industry.

Changes in research direction, policies, and agency appropriations at the federal level are having a direct impact on the research programs that can be supported at Arizona universities, independent research centers like TGen, and at our leading hospitals. Some of these changes are good, others have resulted in severe unintended consequences. **Changes in Medicaid and Medicare funding and guidelines** are impacting Arizona patients and healthcare providers, as well as state and local government budgets.

FOR PATIENTS

AZBio educates and informs community and elected leaders at every level on the VALUE our industry delivers, and emphasizes the importance of ensuring that patients have access to life-changing and lifesaving innovations when they need them

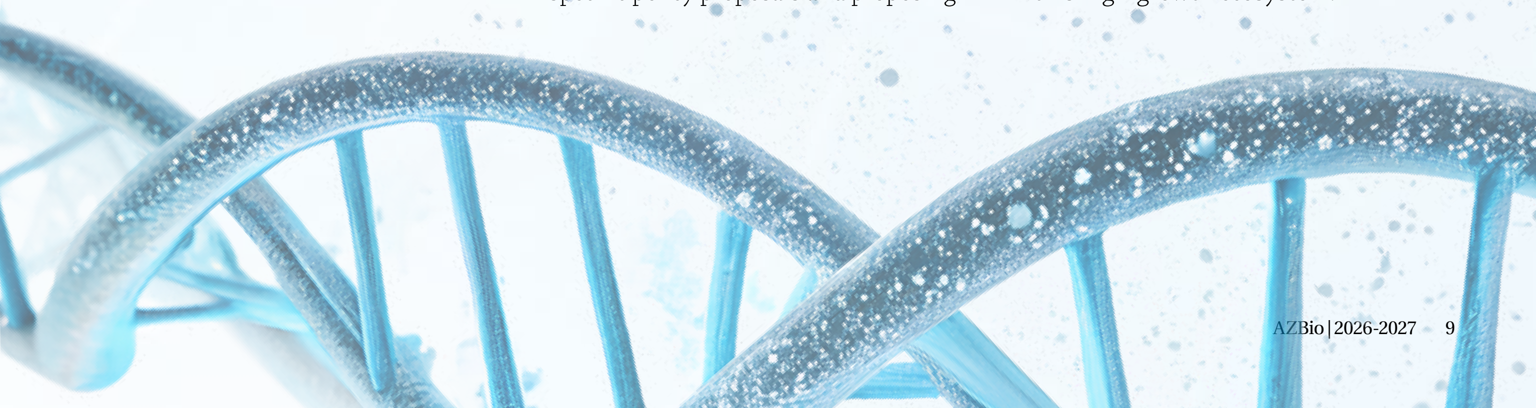
We work with elected leaders at all levels to provide the information that they need to make good choices as our healthcare policies are evolving nationally and at the state level. This includes providing information on the potential unintended consequences of specific policy proposals and proposing workable solutions that support the needs of individual patients, our community, our industry, and our nation.

AZBio works with Arizona patients, empowering them to share their experiences and stories across our community, the bioindustry, and with elected officials

FOR STUDENTS

Arizona must **secure long-term public education funding** as critical revenue streams expire. While the state extended the 0.6% transaction privilege tax (originally Prop 301) through 2041, a new ballot initiative is urgently needed to protect this funding and vital programs like the Technology and Research Initiative Fund (TRIF). With the expiration of Prop 123 funding, the need for Arizona to establish a sustainable, permanent strategy to support its schools, workforce development, and university research is greater than ever.

Expand and elevate Arizona's life science talent pipeline by **scaling internships and apprenticeships across biotech, medtech career opportunities in ibndustry**. While hands-on training is most commonly offered in research labs at universities and institutes, sustainable growth requires broadening the availability of learning opportunities in private industry. Over 60% of Arizona life science jobs are focused on product development, manufacturing and supply chain. Equipping future workers with experience in these areas will help prepare Arizonans for high-wage careers in this high-growth ecosystem.



AZBIO SUPPORTS THE GROWTH OF ARIZONA'S LIFE SCIENCE SECTOR

- Supporting programs and public policies that continue to make Arizona a state that attracts and grows innovative life science and healthcare companies.
- Sharing information on economic development best practices that can be adopted or adapted in Arizona.
- Assisting Arizona Economic Developers, Site Selectors, and Companies interested in joining us in Arizona.
- Working with public and private funding partners to capitalize the Arizona Health Innovation Trust Fund and its programs.
- Advocating to ensure that Arizona's Angel Investment appropriately funded at levels that support industry growth and the creation of high-quality jobs
- Developing programs that encourage real estate and infrastructure development to house our growing industry

IMPROVING CARE & BENDING THE HEALTHCARE COST CURVE

AZBio is committed to fostering constructive conversations with industry stakeholders and elected officials on how to lower health care costs while continuing to develop and deliver the health innovations people need today and in the future.

THESE ARE EXAMPLES OF WAYS WE CAN WORK TOGETHER TO BUILD BALANCED SOLUTIONS FOR COMPLEX ISSUES.

Focus on improving the quality and reducing the total cost of patient care rather than focusing on individual components of the healthcare ecosystem in isolation.

Deconstruct and redesign the current healthcare value chain to enhance price/fee transparency of each component. Each price point or fee should be visible across the value chain.

The needs of **seniors and end-of-life care** are significant cost drivers. Focus on innovations that can improve quality of life while reducing cost, including home health, telehealth, enhanced senior living options, and hospice care.

Revisit the concept of **patient copays.** The current system results in poor adherence and higher hospitalization and healthcare spending.

Protect our healthcare delivery system. Shortages of doctors, nurses, and other healthcare professionals are reaching epidemic proportions. Our nation is seeing the rise of "healthcare deserts" where people do not have access to care. In Arizona and across the nation, academic educational options have greatly expanded. A priority now must be to **expand and fund our residency and graduate medical education programs.** A significant percentage of health professionals stay to practice in the communities where they train. To protect our investment in medical education and our communities, funding this clinical training is essential.

Understand and address how the **ASP+6 healthcare reimbursement will affect healthcare delivery partners** when the cost of Part B medicines is dramatically reduced.

Other examples of complex issues that benefit from federal and state collaboration with industry stakeholders include:

The 340B Drug Pricing Program due to concerns regarding oversight, transparency, and the distribution of savings.

Cyber Security and protecting personal information and ensuring that bad actors do not compromise the safety and effectiveness of our medical technologies and patient data are top priorities.

AI enhanced medical products and systems are already demonstrating quality and cost saving benefits. These tools can be highly effective, but if misused, extremely destructive. Standards at the federal and state level need to be developed in tandem so that we enhance benefits and minimize the potential harm by rogue actors.

Funding and Investment is essential when developing health innovations. Develop methods where state and federal governments allocate joint resources to advance life science discovery and development projects.

Expanding State and Federal Regulatory Sandboxes provides opportunities to accelerate innovation by reducing regulatory delays and costs while providing oversight to protect the public as new technologies are tested and proven.

STATE PUBLIC POLICY PRIORITIES

FOR PATIENTS

The Arizona Rare Disease Advisory Council (RDAC) was established in 2026. AZBio commends our elected leaders for creating the RDAC and commits to supporting the council in their important work to address the unique needs of patients in Arizona's rare disease community.

Newborn screening (NBS) is a vital public health service that tests babies shortly after birth—usually between 24 and 48 hours of age—for rare, serious genetic, metabolic, and congenital conditions before symptoms appear. Catching these hidden disorders early allows treatment to start right away, which can prevent severe physical disability, developmental delay, or death.

Taking NBS to the next level, Arizona could model a Florida program that is significantly expanding its newborn screening program by integrating advanced genomic medicine and screening for specific rare diseases. While Arizona's standard panel checks for roughly 60 conditions, integrating universal whole-genome sequencing into standard newborn care could expand NBS to include screens for 750 to 900 rare genetic diseases and treatable childhood disorders. The Florida program uses the exact same heel-prick blood spot sample already collected at birth. Florida's Five-Year Pilot Launch is completely optional for parents and is provided at no cost to families. Arizona is a leader in genomic medicine thanks to TGen and our universities. In Arizona, our state could work with experts across our ecosystem to create a program that provides even better care for our littlest Arizonans.

Access to Treatments: Arizona has led the way in protecting patients from policies created by payors to restrict or delay access to medicines or other treatments as payors attempt to reduce costs. Examples of Arizona policies that protect patients include laws relating to biomarker testing, biosimilar access, step therapy guidelines, prior authorizations, and copay accumulators.

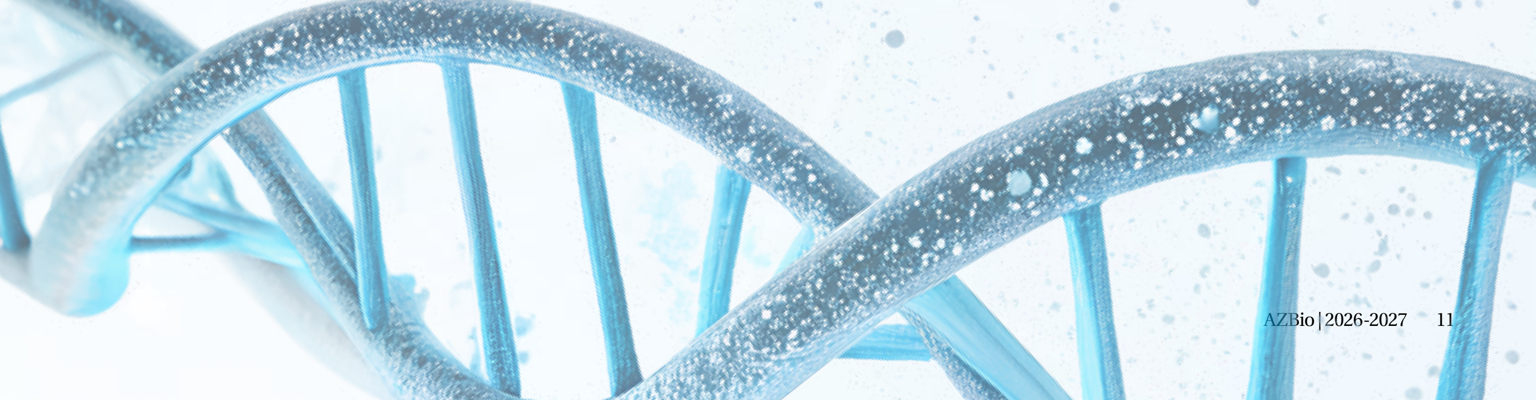
THERE IS STILL WORK TO BE DONE.

Copay maximizer programs enable payors to "maximize" available manufacturer-supplied copay cards and minimize patient out-of-pocket costs (OOP) until copay funds expire or are exhausted. As with copay accumulator programs, copay maximizer programs do not count copay assistance from manufacturers or other patient assistance programs toward the patient's deductible, so although the patient may have no financial burden related to the drug, there may still be significant OOP implications for paying for other health care services. Patients need this fixed.

Alternative Funding Programs (AFPs) are typically used by "self-funded" employer healthcare insurance plans seeking to shift costs of specialty medications away from the insurance plan and employer. AFPs carve out all specialty medications as "nonessential"; therefore, patients do not have coverage for specialty drugs under their insurance benefits. In these cases, patients appear to be underinsured instead of uninsured because they have prescription coverage, but it excludes specialty drugs specified by the AFP. Patients are then required to either pay the full cost of the medication or use a third-party "advocate" administrator program that seeks to obtain free medication most often through patient assistance programs. This practice is confusing for patients.

Non-medical switching is the practice of forcing stable patients to switch from their current, effective medications to drugs or biologics that may not be as effective for reasons unrelated to health. Arizona can honor the decisions made by the prescriber and patient by grandfathering patients who are currently stable on a treatment plan and would be negatively impacted by changes to the insurers' formularies. This change would benefit patients by keeping the decision where it belongs - with the patient and the prescriber.

Multi-cancer screenings and tests: Congress passed legislation in 2026 to make these tests available and covered for the Medicare population, after FDA approval. Arizona can lead by making these tests available to all Arizonans as supported by the Standard of Care. As science moves forward, so must health care policy. Arizona researchers and companies are leaders in the development of innovative diagnostics, and Arizona can be a leader in ensuring that our people do not face unnecessary access barriers to these new early detection tools.



OPTIMIZING HEALTHCARE RESOURCES IN ARIZONA

Support public health experts in the use of evidence and science-based methodologies and information that is peer-reviewed or accepted scientific consensus in making public health decisions. Provide AZDHS with funding to support an information campaign that counters the wide range of health disinformation that bombards Arizonans.

Work together to prevent disease outbreaks in Arizona by maintaining standards for vaccinations and not making changes to statute that could further aggravate Arizona's declining childhood vaccination rates. The percentage of parents opting out of vaccinations for their children through personal belief exemptions has increased, reaching 9% in the 2024-2025 school year. This trend is both a health challenge and an economic issue Outbreaks of preventable diseases are a major economic issue. They drain public resources, disrupt the workforce, and cost billions in avoidable medical and societal expenses. When a community fails to prevent an outbreak, the financial toll spreads far beyond individual hospital bills.

The AHCCCS Pharmacy & Therapeutics Committee (P&T Committee) advises AHCCCS Administration in its responsibility for evaluating scientific evidence of the relative safety, efficacy, effectiveness, and clinical appropriateness of prescription drugs. The Committee makes recommendations to the AHCCCS Administration on the development and maintenance of a statewide drug list and prior authorization criteria as appropriate.

The AHCCCS Public Comment Period on P&T processes closed on September 1, 2026. Our opportunity is to now work with AHCCCS as they develop the new processes. AZBio supports processes that provide and honor input from all stakeholders while prioritizing feedback from patients, physicians, and experts from the companies that make the medicine under consideration.

Opioid alternatives: Arizona's actions to address the opioid crisis in 2018 were a bipartisan effort. As with many public health challenges, prevention is the most effective and proactive strategy. Several alternatives to opioids for pain management are either currently available or in development. Arizona can lead the nation in establishing programs that provide incentives to prescribing treatments that are opioid alternatives for both acute and chronic pain management.

Telehealth and its integration into the delivery of health care through electronic means should continue to be enabled throughout Arizona. This includes educating and advocating for uniform deployment and enforcement of Arizona's telemedicine laws at both state and local levels, as well as facilitating expansion of a robust statewide telehealth ecosystem and improving broadband coverage, especially in rural communities.

The 340B Drug Pricing Program was established by Congress in 1992. This federal program was created to expand access to affordable prescription medications and healthcare services for low-income and uninsured patients. The program has expanded significantly in recent years. Congress is considering proposals for reform due to concerns regarding oversight, transparency, and the distribution of savings. There have been multiple Congressional hearings, working groups, reports, and proposed pieces of legislation in recent years. As Congress continues its work, AZBio believes that any new legislation in Arizona regarding 340B is premature and should be deferred until Congress has completed its work.

ABRC 2.0: Ensure funding previously managed by the Arizona Biomedical Research Commission and now administered by AZDHS continues to be applied to bioscience research, workforce, and innovation specifically designed to benefit the people of Arizona.

Create Arizona's Health Information Exchange: Support the creation of a nonprofit health information organization designated by the Department of Health Services as Arizona's official health information exchange.

Expand our healthcare workforce: Based on data from the Health Resources and Services Administration (HRSA), Arizona needs about 600 more primary care physicians now, and is estimated it will need 2,000 more by 2030. Arizona also has a nursing shortage of almost 30,000 now, and the demand will continue to grow. These are just two of the health careers that we need to promote and support. Strategies to meet these needs include additional funding for healthcare education programs; increasing funding for Graduate Medical Education (GME); and developing apprenticeship programs.

Protect privacy without hampering health innovation. Healthcare and health research spaces are heavily regulated by HIPAA and national standards for protecting sensitive patient health information. HIPAA and other federal statutes and regulations aim to ensure the portability of health insurance and protect the confidentiality and security of healthcare information. Any bill proposed to address privacy concerns should exempt health research operations, laboratories, medical technologies, clinical trials, and parts of the health innovation ecosystem that are already subject to federal privacy laws and regulations.

FOR EDUCATION and WORKFORCE

Education funding: Provide the people of Arizona voter-protected essential education funding with a new ballot initiative, including support for our community colleges and the Technology and Research Initiative Fund (TRIF) in the same proportions as originally provided under Prop. 301.

Internships & Apprenticeships: Develop innovative funding sources to support STEM internships that further enrich Arizona's educational environment and attract and retain a highly talented bioscience workforce. This concept has been proven successful in other states and holds the potential to help advance our students in the STEM careers that will provide students with greater opportunities.

Artificial Intelligence (AI): Education and workforce strategies are needed to help Arizonans navigate changing career paths. The growing application of AI-enabled technologies will eliminate some career paths and create new ones. This will be essential for preparing students for future careers, and for training or re-careering displaced members of the workforce.

FOR ECONOMIC DEVELOPMENT AND GROWTH

Venture Capital: While the growth of Arizona's life science sector has been significant since 2002, Arizona has not realized its full potential and lags other high-growth states in the number of jobs and the amount of venture capital investments. A significant contributing factor to this phenomenon is a notable lack of early-stage risk capital for the commercialization of the life science innovations being created in the state. Early-stage capital investments provide the opportunity for Arizona Life Science companies to build their team and achieve the metrics needed to attract angel or venture capital.

The two largest states for life science venture capital are California at $104.6 billion and Massachusetts at $58.7 billion. The chart below shows the level of Venture Capital invested in life science companies in other states that Arizona competes with for company attraction and company retention.

BIO Venture Capital 2019-2023

AZ	CO	FL	MD	MN
$1.1 B	$5.2 B	$4.3 B	$4.4 B	$3.0 B

NC	TN	UT	TX	WA
$4.4 B	$8.7 B	$2.8 B	$8.7 B	$7.0 B

The Arizona Health Innovation Trust Fund (AHIT) is designed to accelerate the growth of Arizona's life science sector. As established in A.R.S 41-177, the trust fund is managed and invested by ASTO with the State Treasurer serving as trustee. The goal is to build the trust fund, through public and private contributions, until it reaches a fund balance of $250 million. At that time, the call for contributions will cease, and the fund will continue to grow through ASTO investment activity in perpetuity. AZBio supports developing new funding mechanisms to fully capitalize AHIT and accelerate the growth of life science companies and jobs.

Expand Angel Investment: The Angel Investment Tax Credit encourages Arizona investors to invest in Arizona companies so they can grow. Currently, the $2.5 million in tax credits is usually fully utilized within the first half of the year, The program sunsets in 2031. Expansion of this program can result in more companies receiving investments, which can further increase the positive economic impact of Arizona's life science sector.

Arizona's Research & Development Tax Credit has a long history of success. The Federal R&D Tax Credit is now permanent. This is an opportunity for Arizona to make its R&D tax credit permanent as we continue to encourage companies to make R&D investments in Arizona

"Stranded" R&D Tax Credits are created when a company has more R&D tax credits than they can use. These R&D Tax Credits are a resource that Arizona could leverage to fund priorities like the Arizona Health Innovation Trust Fund, investments in transportation infrastructure, workforce development, water infrastructure, or other public priorities.

Expand Arizona's Clean Room Incentives to include all industries. Currently, tangible personal property used in cleanrooms for manufacturing or R&D of semiconductor products is exempt from TPT and Use Tax. In 2025, SB 1539 sought to extend this exemption to cleanrooms in any industry involved in manufacturing or R&D. While the bill did not progress, AZBio supports revisiting this legislation in 2027.

Create an Arizona-wide IRB for Health Innovations

Arizona is currently ranked #8 in the nation for clinical trials, based on economic impact thanks to our world class healthcare partners. Arizona could further differentiate itself from other states by creating a statewide IRB. This would attract additional trials from across the country and around the world and provide more opportunities for Arizona patients

Update Arizona's Regulatory Sandboxes to include health innovation opportunities. Utah has legislation that can serve as model legislation to get us started.

FEDERAL PUBLIC POLICY PRIORITIES

AZBio's public policies recommendations focus on supporting patients, protecting our nation's lead position in health innovation, and reducing healthcare costs by combining health innovation with good public policy.

Protecting U.S. Competitiveness:

As global competition in biotechnology intensifies, public policy approaches must center on strengthening America's innovation ecosystem rather than retreating from it. Modernizing FDA and HHS regulatory pathways to accelerate the development and approval of new medicines can help ensure the U.S. maintains its competitive edge in bringing life-saving treatments to patients faster. At the same time, we caution against proposals that would wall off China entirely or impose broad government restrictions on early-stage clinical investment and asset development. Such measures risk stifling the very research partnerships and capital flows that fuel American biotech leadership, without meaningfully slowing China's progress. The path forward is to out-innovate, not to isolate while investing in a faster, smarter regulatory environment that keeps the U.S. biotech sector ahead on its considerable merits.

Appropriate funding to the NIH, NSF, DOD, and other federal programs that support both basic research and translational science within the agencies and with extramural research partners, including under the SBIR/STTR program. Ensure funding is sufficient to maintain and grow our dominant position.

Reauthorize the **Pandemic and All-Hazards Preparedness Act (PAHPA)** that expired in Sept. 2023 and received temporary extensions. We urge Congress to pass a comprehensive, multi-year reauthorization to secure critical medical supply chains, fund the Strategic National Stockpile, and support federal biodefense agencies. PAHPA also reauthorizes core biodefense and health security programs managed by the Administration for Strategic Preparedness and Response (ASPR) and the Biomedical Advanced Research and Development Authority (BARDA) programs that are active in Arizona.

Work with FDA and CMS on the programs and policies that ensure that our citizens benefit from life-saving and life-changing innovations as soon as they can be safely and effectively delivered. Ensuring that our policies and programs encourage the commercialization of the discoveries that can make life better creates and maintains an environment where private investment in these companies is encouraged and valued.

Reauthorize the Human Medical Product User Fee Agreements well before the Sept 30, 2027 expiration. These four core agreements authorize the industry contributions that support FDA staffing and ensure that potential health innovations that patients are waiting for proceed through the review process in a timely manner.: PDUFA VIII (Prescription Drug User Fee Act); MDUFA VI (Medical Device User Fee Amendments); GDUFA IV (Generic Drug User Fee Amendments); BsUFA IV (Biosimilar User Fee Act).

The Bayh-Dole Act supports turning taxpayer funded research into real-world innovations by allowing universities, research institutions and small businesses to license federally funded discoveries. The law is a win for American taxpayers and enables private investment that ultimately scales those discoveries, building companies and bringing new technologies to people's lives. Recent discussions within the Administration and in Congress have suggested that Bayh-Dole march-in-rights could be used as a lever for pricing negotiations once a product is on the market. This is contrary to the original Congressional intent of the Bayh Dole Act and could take us back to the days before it existed. This would be a major blow to U.S. innovation sectors in both technology and life sciences.

Provisions in the **Inflation Reduction Act (IRA), and now MFN requirements,** are discouraging essential investment in our innovative small businesses. These government price control programs are already stifling innovation by 1) reducing profits that are normally reinvested into R&D, and 2) making it harder for investors to calculate the risk reward equation that drives funding decisions. AZBio is committed to working with policy makers to explore solutions to buffer the impact of this unintended consequence and develop a strategy that supports patients and fair global commerce.

Promote trade policies that ensure American companies can succeed globally by strengthening international **intellectual property protections** and avoiding **tariff policies** that can result in the reduction in our industry's position as a net exporter. AZBio supports policy that protects biotechnology innovation, including provisions that update **intellectual property protections and agricultural market access** to 21st century standards and opposes the dangerous precedent that **TRIPS waivers** on health innovations represent.

IMPORTANT BILLS – 119th CONGRESS and BEYOND

H.R. 6423/S. 864: HELP Copays Act is a bipartisan federal bill designed to lower prescription drug costs by requiring health insurers and pharmacy benefit managers (PBMs) to count third-party financial assistance—such as manufacturer copay cards or non-profit help—toward a patient's annual deductible and out-of-pocket maximum. **Arizona** passed its law in 2019 to protect patients from co-pay accumulators for Arizonans covered by state regulated health plans, but it does not apply to Medicare or ERISA plans.

H.R. 5509/S. 2903: Safe Step Act is bipartisan federal legislation designed to reform "step therapy" or "fail first" protocols in employer-sponsored health plans. Arizona passed its law in 2021 to address issues created by step therapy policies for Arizonans covered by state regulated health plans, but it does not apply to Medicare or ERISA plans.

H.R. 7352/S4975: Pioneering Antimicrobial Subscriptions to End Upsurging Resistance (PASTEUR) Act is a bipartisan effort to encourage innovative drug development targeting the most threatening infections, improve the appropriate use of antibiotics and antifungals (including treatments for Valley Fever), and ensure domestic availability of critical antimicrobials when needed. Arizona researchers are actively working on better solutions for people living with Valley Fever and a wide range of other pathogens.

S832: the Ensuring Pathways to Innovative Cures (EPIC) Act lengthens the amount of time for which drug products must have market approval in order for the products to qualify for negotiation under the Medicare Drug Price Negotiation Program. The Medicare Drug Price Negotiation Program requires the Centers for Medicare & Medicaid Services to negotiate the prices of certain prescription drugs under Medicare beginning in 2026. Among other requirements, drugs must have had market approval for at least 7 years (for drug products) or 11 years (for biologics) to qualify for negotiation. The bill modifies these provisions so as to require drug products to also have had at least 11 years of market approval to qualify for negotiation. The bill's changes apply retroactively. **The "pill penalty"** is having a significant impact on our small business community's ability to attract investment. Additionally, pills are often less expensive to make than biologics and present an opportunity for lower cost treatments than injectable alternatives.

H.R. 1672: The Maintaining Investments in New Innovation (MINI) Act is bipartisan legislation ensuring continued access to medical therapies developed with genetically targeted technology (GTT). Drugs made with GTT are often designed to treat life-threatening rare diseases, and the MINI Act will incentivize investment in the next generation of cures for patients in desperate need.

H.R. 4299: Protecting Patient Access to Cancer and Complex Therapies Act would revert physician reimbursement for administering drugs under Medicare Part B to Average Sales Price (ASP) plus 6 percent, create an additional rebate paid by manufacturers, and hold patients harmless by basing coinsurance rates off the Maximum Fair Price (MFP). This is a **priority for patient access,** especially in communities where sites will close if they cannot cover their operating costs.

H.R. 5256: The 340B Affording Care for Communities and Ensuring a Strong Safety-Net Act (340B ACCESS Act) establishes critical oversight and transparency of the 340B program while providing clear, practical, and achievable solutions to help ensure the 340B program can be a force for good in the nation's health care safety net.

H.R. 5269/S. 2761: The Reforming and Enhancing Sustainable Updates to Laboratory Testing Services (RESULTS) Act preserves patient access to timely, essential clinical laboratory tests by reforming the Medicare rate-setting process for clinical laboratory tests.

H.R. 5343/S. 1717: The Ensuring Patient Access to Critical Breakthrough Products Act provides four years of transitional coverage for breakthrough-designated medical devices approved or cleared by FDA as appropriate for the Medicare population. It creates a roadmap for additional evidence collection by the Centers for Medicare and Medicaid Services (CMS) to make a permanent coverage decision after that period. This would ensure beneficiaries have quicker access to these life-changing technologies, while providing the necessary autonomy for CMS to evaluate the technologies.

H.R. 6197/S. 1399: The Health Tech Investment Act addresses the need for CMS coverage decisions on FDA approved, Algorithm-Based Health Services (ABHS), which includes Software as a Service (SaaS. Artificial intelligence (AI) and machine learning (ML) play a growing role in healthcare overall and occupy a unique role in the broader discussion of healthcare services. Current payment pathways provide little incentive to develop and adopt these tools. The FDA has approved or cleared many ABHS, but as of January 1, 2024, fewer than ten ABHS have received hospital outpatient payment assignments through Medicare. Without appropriate reimbursement for providers, patient access to these transformational technologies, especially for patients in rural and underserved communities, will remain limited.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