

Eli Lilly Shareholder Meeting Question
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I'm Justin Danhof, representing the National Center for Public Policy Research, a free-market think-tank and a company shareholder. Thank you for the opportunity to speak with you today.

Mr. Lechleiter, I'll ask you about the likely impact on our industry of two federal health care policies supported by the Obama Administration, one enacted and one proposed.

For each, I would like your expert opinion on how likely it is that each policy, if adopted and fully implemented, would be to affect Eli Lilly's ability to develop innovative new drugs, and if there is an impact, whether that impact would likely be slight, severe, or extremely severe.

The first is the appointment of the Independent Payment Advisory Board, or IPAB. As you know, if the Centers for Medicare and Medicaid Services concludes the projected growth rate of Medicare will exceed the targeted growth rate, the IPAB is supposed to develop a cost-cutting proposal. Such proposals presumably would include either reducing care or reducing what Medicare is willing to pay for care. Either, it seems to us, could be dangerous, but we note the President, despite having three years to do so, has yet to nominate anyone to serve on the IPAB board. Do you expect he ultimately will appoint a board, and if so, do you think a functioning IPAB risks having a serious negative impact on new drug innovations, or do you think that risk has been exaggerated by commentators?

The second is the President's proposal, made repeatedly including in his State of the Union address this year, to force drug companies to give the rebates they give to Medicaid beneficiaries to low-income Medicare recipients, called dual-eligibles. The White House says this will cut costs to the government, but at what cost to the public?

On CNBC on April 11 you said you believe the pharmaceutical industry is "...hot on the trail of Alzheimer's" and you are "confident" the industry will "have some new advances in the next 5 to 10 years" that could "make a difference." That's obviously wonderful news.

Would extending drug rebates to dual-eligibles significantly affect the funds available for innovation? If so, could the impact be severe enough to adversely affect these promising levels of inquiry in the fight against Alzheimer's? In general, if you project an impact, would the impact on innovation of extending Medicaid rebates to dual-eligibles most likely to be slight, severe, or extremely severe?

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