

Merck Shareholder Meeting Question
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I'm Justin Danhof of 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.

I want to ask you a question about so-called specialty pharmaceuticals and the political class' reaction to their price and availability. This issue was thrust into the national spotlight over the pricing of Gilead Science's drug Sovaldi, which the FDA approved last December for the treatment of chronic hepatitis-C.¹ A dose of Sovaldi can cost \$1,000 per day, totaling \$84,000 over the full 12-week treatment.²

In March, Representative Henry Waxman (D-CA), the ranking member on the U.S. House Energy and Commerce Committee, wrote a letter to Gilead Science's CEO and demanded a justification of the company's pricing, among other inquiries. The day after that letter went public, according to the *New York Times*, "Gilead's stock fell 4.6 percent... Nervous investors took down the shares of some other big biotechnology companies as well, worried that pressure on drug prices would increase."³

And according to an article in Life Science Leader, Express Scripts "urged its insurance and employer clients to join a coalition to stop prescribing Sovaldi, a breakthrough for Hepatitis C, once competitor products hit the market," unless Gilead drops its price.⁴

Our concern is that the actions of some in Congress and those of pharmacy benefit managers such as Express Scripts could hamper innovation and move the United States towards a government-negotiated, European pharmaceutical pricing model. Gilead developed a groundbreaking treatment, and established a market price, and the political class is trying to interfere in the marketplace.

In conclusion, considering that President Obama backed a dual-eligibles rebate plan in his 2013 State of the Union Address⁵ and now a ranking member of Congress is openly attacking a lifesaving drug over its pricing, do you think enough is being done in Washington, D.C. to foster an environment for drug innovation here in the United States? What more would you like to see done?

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¹<http://www.fda.gov/newsevents/newsroom/pressannouncements/ucm377888.htm>

²<http://www.sfgate.com/health/article/Cost-of-Gilead-s-hepatitis-C-pill-Sovaldi-spurs-5398315.php>

³<http://www.nytimes.com/2014/03/22/business/lawmakers-attack-cost-of-new-hepatitis-drug.html? r=0>

⁴<http://www.lifescienceleader.com/doc/the-looming-battle-between-the-pharmaceutical-and-health-plan-industries-0001>

⁵http://www.nationalcenter.org/PR-Eli_Lilly_050713.html