

Congress of the United States
Washington, DC 20515

December 21, 2017

President Donald J. Trump
The White House
1600 Pennsylvania Avenue NW
Washington, D.C. 20500

Dear Mr. President:

We are writing to bring your attention to a new report issued by the nonpartisan Government Accountability Office (GAO) detailing how drug prices are continuing to skyrocket. As noted in the report, rising prices are due in part to corporate mergers and acquisitions in the pharmaceutical industry. In addition, GAO's analysis details how prices for consumers, as well as corporate profits, continue to soar. We believe that it is time for you to make good on the promises you made to the American people to address this critical issue.

During the presidential campaign, as well as after you were elected, you promised repeatedly that you would take strong and decisive action to bring down the rising costs of prescription drugs. For example, on January 11, 2017, you stated: [W]e need new bidding procedures for the industry because they are getting away with murder. Pharma has a lot of lobbyists and power. There is very little bidding on drugs.¹

To date, however, you have done little to fulfill your promise. Instead, you have taken steps that appear to contradict your promise.

For example, documents developed as part of your Administration's Drug Pricing and Innovation Working Group have been characterized as "cribbed directly from policy papers published by the pharmaceutical industry's powerful lobby."² As noted in *Kaiser Health News*:

The documents reveal behind-the-scenes discussions influenced by the pharmaceutical industry. Joe Grogan, associate director of health programs for the Office of Management and Budget (OMB), has led the group. Until March, Grogan served as a lobbyist for Gilead Sciences, the pharmaceutical company that priced its hepatitis C drugs at \$1,000 per pill.³

Likewise, your nomination of Alex Azar, a pharmaceutical company insider, to lead the

¹ *President-Elect Donald Trump News Conference*, CSPAN (Jan. 11, 2017) (online at www.c-span.org/video/?421482-1/presidentelect-donald-trump-says-electionyear-hacking-think-russia).

² *Exclusive: White House Task Force Echoes Pharma Proposals*, Kaiser Health News (June 16, 2017) (online at <https://khn.org/news/exclusive-white-house-task-force-echoes-pharma-proposals/>).

³ *Id.*

Department of Health and Human Services is very troubling.⁴ You also have failed to support any legislation—including ours—to implement your campaign promise to take on Pharma and lower drug prices.

On October 19, 2015, we asked GAO to undertake a study to examine the rising prices of prescription drugs, including the impact of these massive price hikes on consumers and federal spending. Specifically, we asked GAO to examine “the extent to which the industry has experienced consolidation over the past decade, and how these dynamics have affected competition, pricing, and research outlays.”

The findings in GAO’s new report are stark. Specifically, the report notes:

- ***Skyrocketing Revenues and Profits.***
GAO reported that from 2006 to 2015, drug company sales revenues increased from \$534 billion to \$775 billion. Approximately 67% of drug companies saw increases to their annual average profit margins, and average profit margins were between 15% and 20% per year among the 25 largest drug companies. In comparison, average profits for the largest 500 global corporations averaged between 4% and 9% per year.
- ***Mergers and Acquisitions Associated with Higher Prices.***
GAO reported that research indicates that fewer competitors in the drug industry are associated with higher prices—particularly for generic drugs—as well as varied impacts on R&D spending, patent approvals, drug approvals, and innovation. From 2006 to 2015, the number of mergers and acquisitions involving one of the largest 25 drug companies increased from 29 to 61.
- ***Despite Massive Profits, Corporate R&D Funding Relatively Stagnant.***
GAO reported that from 2008 to 2014, corporate R&D funding increased only from \$82 billion to \$89 billion, “most of which went to drug development (rather than research).”

If you are truly serious about implementing substantive reforms to combat outrageous drug price increases, we urge you to review this report and work with the Congress to take definitive action to lower costs for consumers.

Despite our frustration with your failure to act on this issue to date, we remain open to working with you on policies that actually bring down drug prices.

⁴ *Trump’s HHS Pick a Pharma Insider as Drug Prices Skyrocketed*, CNN (Nov. 13, 2017) (online at www.cnn.com/2017/11/13/health/hhs-nominee-alex-azar/index.html).

Sincerely,



Bernard Sanders
United States Senator



Elijah E. Cummings
Ranking Member
Committee on Oversight and
Government Reform

Enclosure

cc: The Honorable Trey Gowdy, Chairman
House Committee on Oversight and Government Reform