

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

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November 16, 2015

J. Michael Pearson
Chairman and Chief Executive Officer
Valeant Pharmaceuticals International, Inc.
400 Somerset Corporate Blvd.
Bridgewater, NJ 08807

Dear Mr. Pearson:

Over the past year, serious questions have been raised about your company's business model of purchasing older drugs that have little or no competition in the marketplace and raising their prices dramatically.¹ Valeant has defended this model, stating that its duty is to its shareholders.² However, you have refused to provide any of the documents I have requested that would help Congress understand whether you are profiteering at the expense of patients, hospitals, and other healthcare providers across the country.

I am writing today to request transcribed interviews with several of your employees. Recently, questions have been raised about Valeant's relationship with Philidor Rx Services, a mail-order "specialty pharmacy" that Valeant allegedly used to mask its price increases and circumvent the traditional insurance reimbursement process.³ Although Valeant purchased an option to acquire Philidor for \$100 million last year, it did not disclose its connections to this "phantom captive pharmacy" until last month, after numerous press accounts reported these

¹ See, e.g., *Is Valeant's Arbitrage Over?*, Barrons (Oct. 3, 2015) (online at www.barrons.com/articles/is-valeants-arbitrage-over-1443851298); *Valeant's Drug Price Strategy Enriches It, But Infuriates Patients and Lawmakers*, New York Times (Oct. 4, 2015) (online at www.nytimes.com/2015/10/05/business/valeants-drug-price-strategy-enriches-it-but-infuriates-patients-and-lawmakers.html?ref=health&_r=2); *Is Valeant Pharmaceuticals the Next Enron?*, New York Times (Oct. 27, 2015) (online at www.nytimes.com/2015/10/27/opinion/is-valeant-pharmaceuticals-the-next-enron.html).

² *Pharmaceutical Companies Buy Rivals' Drugs, Then Jack Up the Prices*, Wall Street Journal (Apr. 26, 2015) (online at www.wsj.com/articles/pharmaceutical-companies-buy-rivals-drugs-then-jack-up-the-prices-1430096431).

³ *Drug Makers Sidestep Barriers on Pricing*, New York Times (Oct. 19, 2015) (online at www.nytimes.com/2015/10/20/business/drug-makers-sidestep-barriers-on-pricing.html).

connections publicly.⁴ Valeant recently announced that it had terminated its relationship with Philidor because it had “lost confidence in Philidor’s ability to continue to operate in a manner that is acceptable to Valeant.”⁵

However, troubling new allegations suggest that a group of Valeant employees helped launch Philidor’s business in 2013 and have remained involved in its daily operations. These allegations suggest that Valeant employees may have been personally involved in questionable billing practices that led Valeant to cut ties with Philidor last month.⁶

According to a document obtained by *Reuters*, Valeant employees Bijal Patel and Gary Tanner received a November 2014 email providing guidance on ways to re-submit rejected claims to insurance companies in order to obtain higher reimbursement amounts.⁷ Mr. Tanner has been identified by former Philidor employees as “a key figure in the pharmacy’s operations.”⁸ These former employees also report being directed to alter physician-written prescriptions so pharmacies would have to dispense Valeant drugs instead of cheaper generic versions in order to maximize Valeant’s profits.⁹

Valeant employees reportedly attempted to mask their connections to Valeant by creating fake email identities to conduct their internal Philidor correspondence.¹⁰ According to one press

⁴ *Short-Seller: Is Valeant the Pharmaceutical Enron?*, *Fortune* (Oct. 21, 2015) (online at <http://fortune.com/2015/10/21/valeant-philidor-stock-plummet/>); Valeant Pharmaceuticals International, Inc., *Investor Conference Call Presentation* (Oct. 26, 2015) (online at <http://ir.valeant.com/investor-relations/events-and-presentations/default.aspx>).

⁵ Valeant Pharmaceuticals International, Inc., *Valeant to Terminate Relationship with Philidor* (Oct. 30, 2015) (online at <http://ir.valeant.com/investor-relations/news-releases/news-release-details/2015/Valeant-To-Terminate-Relationship-With-Philidor/default.aspx>); *Valeant Says Philidor Pharmacy Shutting Down as it Cuts Ties*, *Reuters* (Oct. 30, 2015) (online at www.reuters.com/article/2015/10/30/us-valeant-pharmacies-idUSKCN0SO12W20151030#3JQGsbxFUjppCwtE.97).

⁶ *Insight—Valeant Played a Key Role in Building, Operating Philidor RX*, *Reuters* (Nov. 12, 2015) (online at www.reuters.com/article/2015/11/12/valeant-pharmacies-officers-idUSL1N1361N720151112#ApjZAR7mvYwgU6DV.99); *Former Valeant Exec Kornwasser Mum on Links to Philidor*, *CNBC* (Nov. 9, 2015) (online at www.cnbc.com/2015/11/09/former-valeant-exec-kornwasser-mum-on-links-to-philidor.html).

⁷ *Insight—Valeant Played a Key Role in Building, Operating Philidor RX*, *Reuters* (Nov. 12, 2015).

⁸ *Id.*

⁹ *Id.* *Philidor Said to Modify Prescriptions to Boost Valeant Sales*, *Bloomberg* (Oct. 29, 2015) (online at www.bloomberg.com/news/articles/2015-10-29/philidor-said-to-modify-prescriptions-to-boost-valeant-sales).

¹⁰ *Insight—Valeant Played a Key Role in Building, Operating Philidor RX*, *Reuters* (Nov. 12, 2015); *Valeant and Pharmacy More Intertwined Than Thought*, *Wall Street Journal* (Oct. 25, 2015) (online at www.wsj.com/articles/valeants-ties-to-pharmacy-scrutinized-1445817449).

Mr. J. Michael Pearson

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report, these aliases included Peter Parker, Spider Man's alter ego, Jack Reacher, the protagonist of a popular book series, and Brian Wilson, the lead singer of the Beach Boys. According to a Philidor spokesperson, the Valeant employees' "real identities were well known to the other Philidor employees."¹¹

To investigate these allegations, I request that you make available for transcribed interviews Garry Tanner, Bijal Patel, and Alison Pritchett. I also request that you provide contact information for former employee Laizer Kornwasser. I request that you respond to this request by November 20, 2015.

Sincerely,



Elijah E. Cummings
Ranking Member

cc: The Honorable Jason Chaffetz, Chairman

¹¹ *Valeant and Pharmacy More Intertwined Than Thought*, Wall Street Journal (Oct. 25, 2015).