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House of Representatives

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Opening Statement Ranking Member Elijah E. Cummings

Hearing on "Prescription Drug Market: Oversight" February 4, 2016

Mr. Chairman, thank you very much for agreeing to hold today's hearing on the skyrocketing prices of prescription drugs. This issue has been my number one investigative priority for several years, and I am so grateful that we are holding this hearing today with drug companies, the FDA, and other stakeholders.

Thank you also for sending joint document requests to these companies, Turing and Valeant. They both refused my previous requests and obstructed our ability to investigate their actions. The fact is, we would not have the documents we have today without your action. And I thank you again.

We have now obtained more than 300,000 pages of internal documents from these companies, including emails, analyses on revenues and profits, communications with hospitals and other providers, and public relations strategy documents. Earlier this week, I circulated two memos summarizing these documents, and I now ask unanimous consent that they be made part of the official hearing record.

These new documents provide an insider's view into how drug company executives are lining their own pockets at the expense of some of the most vulnerable families in our nation.

Their basic strategy has been to buy drugs that are already on the market, and then raise prices astronomically for a temporary period of time before other competitors enter the market. These companies did not invest funds to research or develop these drugs. They bought them, jacked up the prices, took as much money as they could out of the pockets of patients, hospitals, and others, and then put those funds into their own coffers.

How much money are we talking about?

Valeant reported gross revenues of more than \$547 million on Nitropress and Isuprel. That's more than half a billion dollars in one year. The company reported profits of \$351 million on just these two drugs in 2015 alone.

These stunning returns put Valeant's CEO, J. Michael Pearson, on the Forbes list of billionaires. According to press reports, these massive profits also allowed Mr. Shiller, who is here today on behalf of Valeant, to collect a salary of \$400,000 per month.

For Turing, the company reported \$98 million in revenues for Daraprim in 2015, with manufacturing costs of only \$1 million.

Yet, Turing actually tried to claim that it took a \$44 million loss last year. The company reported that it spent \$22 million on research and development. This money apparently went to "donations" to unnamed entities, "contributions to foundations," and vague "other research and development costs." But the documents we have obtained indicate that these expenditures were just as much about PR as R&D.

Like a Ponzi scheme, it appears that Turing may be using revenues from Daraprim to research and identify the next drug it will acquire, and then impose similarly massive price increases on future victims.

Based on the documents obtained by the Committee, we know exactly what these companies will say as part of their public relations strategy. They will try to distract from their massive price increases by talking about their R&D. They will downplay their massive profits by claiming that they help patients who can't afford their exorbitant prices.

The testimony from the drug companies today will be the same—but the difference now is that we've seen behind their smokescreen.

These tactics are not limited to a few "bad apples." They are prominent throughout the entire industry. Lannett, Pfizer, Horizon, Teva, Amphastar, Allergan, Endo—all of these companies have taken significant price increases on their drugs.

The reason I care so much about this issue is because it directly affects my constituents and the constituents of every Member of this Committee. The people in my district are not on the Forbes billionaire list. They don't buy Wu Tang Clan albums for \$2 million. They can't liquidate assets to free up millions of dollars. They work hard, and many take home decent salaries. But like many Americans, they struggle every month to support their families and to pay for the increasing costs of housing, education, and healthcare.

Hardworking American families should not be forced to pay increases of 10%, 100%, or 1,000% just to subsidize the lavish lifestyles of hedge fund managers and corporate executives.

As I conclude, I hope we can also talk about solutions today. For example, Secretary of State Hillary Clinton has written letters to the FDA and the FTC proposing stronger regulatory action to crack down on companies that engage in price gouging. I think this is an interesting approach that could get significant bipartisan support.

On the legislative side, I have introduced the Prescription Drug Affordability Act with Senator Bernie Sanders. One provision in this bill would allow HHS to negotiate drug prices for Medicare. This is something even Donald Trump supports.

There is significant bipartisan agreement on the need to address this crisis. According to the nonpartisan Kaiser Family Foundation, rising prescription prices are the top healthcare concern for all Americans—including Democrats, Republicans, and Independents.

I hope today's hearing is the beginning of a sustained effort to address this issue in a bipartisan way that brings much needed relief to American families.

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