

Hearing on “HIV Prevention Drug: Billions in Corporate Profits after Millions in Taxpayer Investments”

House Committee on Oversight and Reform

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Statement for the Record

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More than one million Americans live with HIV, and nearly 15 percent of them have no idea they’re infected.¹ Every year, nearly 40,000 Americans are diagnosed with HIV when we have preventative drugs that could curb transmission and defeat this disease. In Fairfax County in the Commonwealth of Virginia, roughly 235 out of every 100,000 residents are living with HIV – and possibly, unknowingly transmitting it to others.

Truvada for pre-exposure prophylaxis, or PrEP, is a game-changing drug that prevents the transmission and spread of HIV, cutting the infection risk for a person taking the drug by up to 93 percent. Providing this drug to at-risk populations is the cornerstone of the Trump Administration’s initiative focused on “Ending the HIV Epidemic.” The initiative seeks to reduce the number of new HIV infections by 90 percent over the next 10 years.² Yet the high cost of the drug threatens to make this bipartisan goal unachievable.

American lives are more important than drug company profits. But Gilead Science, Inc., the manufacturer of PrEP earned \$3 billion in profits from sales of this drug in 2018 alone while hundreds of thousands of at-risk Americans lack access to the drug. Moreover, Gilead rakes in these profits despite the more than \$50 million taxpayer dollars that funded the research and development of the drug and its eventual FDA approval. In fact, the federal government holds the patent for Truvada for PrEP and does not receive a penny for that use of the drug from Gilead. It was scientists working for the Centers for Disease Control and Prevention (CDC) that discovered and proved that Truvada lowers the risk of HIV contraction. Yet it is Gilead, a private-sector company, that is inflating the price of the drug and reaping the economic benefits at the cost of people’s lives.

Drug companies often justify their high prices with the cost of research and development. They will also point out that most people do not pay the full price for their products because of insurance coverage or some other opaque negotiated discount. We have seen time and again, however, that price increases that are arbitrary and capricious. Company decisions are made only in the interest of quick shareholder gains and at the expense of patient care. A new study from the Campaign for Sustainable Rx Pricing found that Gilead spent 14.3 percent of its revenues on research, the lowest of the ten companies analyzed.³

¹ U.S. Department of Health and Human Services, *HIV.gov: U.S. Statistics* (online at www.hiv.gov/hiv-basics/overview/data-and-trends/statistics).

² Department of Health and Human Services, *What is ‘Ending the HIV Epidemic: A Plan for America’?* (online at www.hiv.gov/federal-response/ending-the-hiv-epidemic.overview).

³ Nicholas Florco, Stat News, *A new study sparks a war of words over the drug industry’s commitment to research* (online at www.statnews.com/2019/05/14/war-of-words-over-pharma-commitment-to-research/).

In fact, the federal government is the primary funder of basic research, providing the building blocks that lead to drug discovery. According to the Government Accountability Office (GAO) the National Institutes of Health (NIH) dedicated \$13.6 billion in 2014 towards basic research. That is more than twice as much as the \$6.3 billion dedicated by pharmaceutical companies for basic research in 2014.⁴ In the case of Truvada, Gilead donated enough samples to the researchers, while the clinical trials were funded by NIH grants and the Bill & Melinda Gates Foundation.

In the United States, Gilead charges \$2,100 for a month's worth of the daily treatment. In other countries, however, the drug can cost as low as about \$6 per day for the treatment.⁵ The high price of the drug in the United States is a major reason why only about 20 percent of the population that would benefit from the drug have access to it.⁶ Gilead continues to raise the price of Truvada at least once each year, and uses its patents to prevent generic competitors in the United States.

Despite the Department of Health and Human Services' agreement with Gilead to donate a limited amount of the treatment to certain at-risk individuals, more needs to be done. The donation would cover only 200,000 people over 11 years, while the CDC estimates that "about 1.1 million Americans overall are at substantial risk for HIV and should be offered PrEP." This donation agreement will do nothing to assist cash-strapped state Medicaid programs. Virginia Medicaid said it pays \$54.04 per pill, \$1,621.20 for a month of treatment. The high cost of these drugs has a disproportionate impact on communities of color. According to the CDC, 500,000 African Americans and nearly 300,000 Latinos could potentially benefit from PrEP, but these communities account for the smallest percentage of prescriptions to date.⁷

Given the ongoing investigation by the Justice Department that experts say could result in a \$1 billion payment in royalties on the patent from Gilead to the federal government, a donation of less than \$10 million a year is a bad deal. President's Trump's efforts to gain only enough treatment for 200,000 people is no deal for the American taxpayer. More needs to be done, and we need to have an honest discussion about the future of prescription drugs. Lives depend on it.

I am of the age to have lived at the tail end of the era when the scourge of Polio was real and infected hundreds of thousands of Americans. Under the leadership of President Roosevelt, massive public resources were marshalled and invested in scientific research, including the development of the Salk polio vaccine in Pittsburgh. Neither Jonas Salk, nor the scientists who worked with him, became billionaires off this incredible discovery – indeed for a multitude of reasons, the vaccine was never even patented. After all, it was the federal government that invested in this world-changing discovery in the first place.

⁴ Government Accountability Office, *Drug Industry: Profits, Research and Development Spending, and Merger and Acquisition Deals*, GAO-18-40 (online at www.gao.gov/assets/690/688472.pdf)

⁵ See, for example, International Medical Products Price Guide (online at <http://mshpriceguide.org/en/single-drug-information/?DMFId=1274&searchYear=2014>),

⁶ The Week, Ryan Cooper, *Why is the government allowing its own drug research to be monopolized for profit?* March 28, 2019 (online at theweek.com/articles/831637/why-government-allowing-drug-research-monopolized-profit).

⁷ Centers for Disease Control, *HIV prevention pill not reaching most Americans who could benefit – especially people of color*, March 6, 2018 (www.cdc.gov/nchhstp/newsroom/2018/croi-2018-PrEP-press-release.html)

