

STATEMENT FOR THE RECORD

BY RICHARD A. GONZALEZ
CHAIRMAN AND CHIEF EXECUTIVE OFFICER, ABBVIE INC.

UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON OVERSIGHT AND REFORM
“HEARING ON UNSUSTAINABLE DRUG PRICES (PART III)”

May 18, 2021

I am Richard Gonzalez, and I am the Chief Executive Officer of AbbVie, a company with approximately 48,000 employees dedicated to developing new innovative medicines for some of healthcare’s most challenging diseases.

The global pandemic of the last year highlights the critical role the biopharmaceutical industry plays in driving science and innovation to tackle the most significant diseases facing our society. Our industry invests over \$80 billion per year in research and development to meet those challenges and our Company alone has invested approximately \$50 billion since 2013 and has produced cures for diseases like HCV, and therapies that are changing and prolonging the lives of patients suffering with cancer, rheumatoid arthritis, and other serious diseases. As we tackle the issues of drug pricing and access, it is important that we focus on what is working and what needs change to make sure patients get the medicines they need.

The United States has the most advanced healthcare system in the world. It does not ration care or restrict access to therapies and is a leader in advancing science to provide cures to deadly diseases like cancer. The United States is also the most advanced developed country when it comes to the use of generic drugs, where over 90% of prescription volume are generic medicines with low out-of-pocket costs.

Overall, most American patients have access to affordable medicines and pharmaceutical companies, such as AbbVie, provide a number of forms of assistance through co-pay support or free product to help defray drug costs for those that can’t afford their

medicines. The single largest patient group that lacks access to affordable medicines are standard Medicare Part D patients where the program design puts a significant cost burden on them. For these patients, reducing drug prices alone will not alleviate the challenges with access.

Last fall, the House Committee on Oversight and Reform held two days of hearings to examine the prices of prescription drugs. Certainly, drug pricing is important, and the industry has taken steps to reduce drug pricing in recent years. In fact, since 2017, the overall contribution of price to AbbVie's business has been negative.

In the category of "what's working" well in the U.S., the Medicare Part D program has been highly cost effective. The market-based structure encourages aggressive price discounts that have yielded significant savings to the government since the Part D program was established. Despite a 70% increase in enrollment, the compounded annual growth in drug spending adjusted for the increase in enrollees is 1.8%, or roughly in-line with inflation, and has been basically flat since 2015. The aggressive price rebates negotiated by the Medicare Part D plans have kept patient monthly premiums flat at roughly \$33 per month since the program began in 2006. This data clearly demonstrates the overall cost effectiveness of the Part D program.

So "what's not working" in Part D is that some patients must bear too much of the out-of-pocket cost and there is no cap on drug spending. Unlike other commercial forms of insurance, Part D enrollees cannot access co-pay support, cannot purchase insurance to defray these costs and must pay open-ended drug expenses. Their average out-of-pocket cost is almost 100-times higher for a medicine like Humira than other patient groups. No other prescription drug insurance program puts so much cost burden on the patients.

We see the impact of Part D benefit design flaws most clearly in our Patient Assistance Program. Almost 40% of all Medicare Part D patients on Humira (or 1 out of 3) are seeking assistance and receiving free medicine. This stands in stark contrast to commercially insured

Humira patients where only 1 out of 100 sought assistance from AbbVie. Medicare Part D patients' out-of-pocket costs is the single biggest issue when it comes to drug affordability.

Additionally, while overall cost in Part D is well controlled, Government spending in the catastrophic phase is increasing more rapidly than overall spending and is another area that needs to be addressed. Industry, government, and health care plans should come together to significantly reduce out-of-pocket cost for patients and re-apportion cost in the catastrophic phase so that spending will be well controlled.

Thank you.