abbvie

STATEMENT FOR THE RECORD

BY RICHARD A. GONZALEZ

CHAIRMAN AND CHIEF EXECUTIVE OFFICER, ABBVIE INC.

UNITED STATES SENATE

SENATE FINANCE COMMITTEE

"*Drug Pricing In America: A Prescription for Change, Part II*"

February 26, 2019

I am Richard Gonzalez, and I am the Chairman and Chief Executive Officer of AbbVie, a company dedicated to developing new innovative medicines for some of healthcare's most challenging diseases, such as cancer, Alzheimer's, viral infections, and auto-immune diseases. Since our inception in 2013, AbbVie has invested approximately $50 billion in pursuit of that goal. However, because we are tackling medicine's most challenging problems, solutions do not come easily or without significant risk. Where we have succeeded, we have been able to provide cures for fatal diseases like Hepatitis C and significantly alter the disease progression for certain cancers, lessening the burden of illness on patients and the healthcare system. This is what the 30,000 employees of AbbVie are dedicated to doing.

We agree that access to lifesaving medicines is a critical issue and we look forward to sharing our perspectives with you. There is no one solution to this complex issue, but AbbVie is open to working with the Committee on how we can commit our resources to better partner in your efforts to address pharmaceutical pricing and access. AbbVie and the rest of our industry must play a role in solving these issues and be prepared to work together with the insurance industry, the Administration and you to find a better path forward for American patients.

My remarks today will focus on one aspect of this inquiry - the Medicare Part D benefit design, which even after pharmaceutical list prices are lowered, still contributes to making innovative therapies cost-prohibitive for Medicare patients. In general, the Medicare Part D program has worked well. Its market-based structure and utilization of formularies encourages competitive price discounts that have yielded significant savings to the government since the Part D benefit was established in 2006. However, despite these cost savings, Part D patients' out-of-pocket costs have significantly increased. Some would blame that solely on high drug prices, and we agree that price should certainly be part of the discussion. But it's also important to acknowledge that science has enabled us to advance the standard of care far beyond what was possible when the Part D benefit was designed.

Many of today's specialty medicines offer major advances in treating or curing serious chronic or life-threatening conditions and save significant amounts of money for the healthcare system by decreasing overall healthcare costs, yet these therapies are also costly. Due to the structure of the Part D benefit design, patients are charged out-of-pocket costs on a medicine's list price which does not reflect the market-based rebates that Medicare receives. We are encouraged by the proposed rule that would reflect manufacturer discounts in patients' Part D out-of-pocket payments. This is an important step in the right direction, but we believe more must still be done to help Part D patients.

Let me give you a recent real-world example that demonstrates the challenge with the current Part D benefit design and why the focus solely on list prices does not fully address the access challenges. An uncured Hepatitis C infection leads to downstream medical costs for surgery, chemotherapy, and radiation for patients who progress to

needing a liver transplant or having liver cancer. Today we can cure Hepatitis C with drugs. This cure is highly cost-effective for the overall healthcare system.

In 2017, AbbVie launched Mavyret, a highly effective cure for HCV. At the time, the list prices for the competitive alternatives were as high as $94,500 for their most commonly prescribed treatment duration. We launched Mavyret at a list price that is 72% lower. But even though we cut the list price of an HCV cure for most patients by 72%, Medicare Part D patients' out-of-pocket obligations are still too high for many patients to access this medicine.

We believe it is important that discussions about access and affordability include a focus on how to alleviate Medicare Part D out-of-pocket burdens above and beyond just lowering list prices. We are prepared to step up and discuss how companies like ours can shoulder more of the burden of a patient's out-of-pocket expenses, as we do in other areas covered by commercial insurance. Additionally, we believe the discussion should also include the possibility of Medicare Part D beneficiaries being able to purchase insurance (as they do in other parts of the Medicare program) to cover more of their out-of-pocket expenses.

We believe AbbVie, the rest of the pharmaceutical industry and insurance providers should come together with the Administration and you to work toward solutions that make life-changing medicines more affordable to Part D beneficiaries. I can assure you AbbVie is committed to doing its part, and we look forward to working with you.