

## Senate Committee on Finance Questions for the Record

### Drug Pricing in America: A Prescription for Change, Part II February 26, 2019

**Questions for:  
Richard A. Gonzalez  
Chairman and Chief Executive Officer  
AbbVie Inc.<sup>1</sup>**

Below are AbbVie's responses to the questions from Senator Wyden that were omitted from the list of written Questions for the Record that were submitted to AbbVie on March 14, 2019, to which AbbVie provided responses on April 8, 2019. These additional questions were provided to AbbVie on April 11, 2019.

#### Executive Compensation

1. Was your bonus in 2018 tied to net revenue of Humira? Will your bonus in 2019 be tied to net revenue of Humira?

*Response:* Humira sales was one of several quantitative financial metrics considered in addition to qualitative factors in determining Mr. Gonzalez's 2018 annual incentive compensation. The quantitative measures included: income before taxes, net revenues, operating margin, Humira sales, return on assets, and R&D achievement. The qualitative considerations included: individual, strategic, and leadership goals regarding items such as driving top-tier performance, executing key strategic initiatives to drive sustainable long-term performance, driving employee engagement and motivation, building investor confidence, and advancing AbbVie's transformation to a biopharmaceutical culture; and an assessment of holistic performance.

Based on the above, Humira sales as a single quantitative financial metric had the potential to impact only a very small fraction of Mr. Gonzalez's total direct compensation, followed by additional qualitative and relative analyses.

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<sup>1</sup> Please note that these responses were prepared by and are from AbbVie Inc.

With respect to 2019, for a variety of reasons, including competitive sensitivity, goal metrics and targets are not publicly disclosed during an active performance cycle. Details regarding 2019 goals will be included in our next publicly filed proxy statement.

2. What assumptions about Humira's price are used when the compensation committee sets revenue goals for the product? Does the compensation committee provide any guidance to executives in regards to the amount of revenue that Humira will generate from price increase versus volume growth?

*Response:* Humira sales targets used by the Compensation Committee come from AbbVie's annual business plan, which is created by AbbVie's management and reviewed by AbbVie's Board of Directors annually. The Compensation Committee does not provide any guidance into the annual plan process regarding the amount of Humira revenue generated from price increase versus volume growth.

3. Please provide the following for each year from 2014 to 2018:
  - a. The prescription volume for Humira in the United States, excluding charity care. Please describe how AbbVie determined the prescription volume, e.g., what components are included and excluded.
  - b. The average net price for Humira in the United States, excluding charity care. Please describe how AbbVie determined the average net price, e.g., what components are included and excluded and how, if at all, the information is weighted.

*Response:* AbbVie purchases prescription information from a variety of third-party sources. This purchased information, however, is incomplete. Certain entities, such as the Department of Veterans Affairs, the Department of Defense, and some commercial entities, do not provide prescription data to these third-party sources. Accordingly, the number of prescriptions is not complete and AbbVie uses it on a relative basis to observe directional trends and make relative comparisons, rather than for an accurate count of actual prescriptions. Product-specific net price is competitively sensitive non-public information.

4. Have you or any other AbbVie executives ever ordered a price increase for Humira in order to meet the revenue targets for the drug? Have personnel

from the division responsible for Humira sales ever ordered a price increase for Humira in order to meet revenue targets for the drug? Is the board involved in pricing decisions for Humira?

5. For calendar years 2015, 2016, 2017, and 2018, please answer the following:
  - a. How many AbbVie employees have their bonuses tied to revenue, net revenue, or other sales metrics related to Humira?
  - b. What was AbbVie's total Humira-related bonus payout?
  - c. In which departments or divisions were such bonuses distributed?

*Response to previous two questions: AbbVie makes pricing decisions based on a number of interdependent factors, including, but not limited to, the therapeutic alternatives in a given class and the particular value of the therapy at issue to the patient and health care system. AbbVie's Board of Directors reviews the company's annual business plan, which includes pricing as part of annual revenue targets.*

*The annual incentive compensation payments for all AbbVie employees who receive them are tied, directly or indirectly, to the company's financial performance, which is influenced by Humira sales. For all the years covered by this request, Humira sales have accounted for more than half of AbbVie's total revenues. Humira sales are therefore an integral part of AbbVie's overall financial performance. AbbVie's overall financial performance influences the annual incentive compensation payments for all AbbVie employees who receive them. Because there are multiple quantitative and qualitative considerations that go into annual incentive compensation determinations, there is no specific "Humira-related bonus payout."*

#### International Revenue

1. Does AbbVie make a profit on the pharmaceutical products it sells in Australia, Canada, France, Germany, Japan, Netherlands, Norway, United Kingdom, Sweden, and Switzerland?
2. Please provide the amount of profit made in each country listed for question 1 for each fiscal year beginning with January 1, 2014 through December 31, 2018.

*Response to previous two questions:* AbbVie is profitable in these countries. The level of profitability varies depending on the specific products sold in each country and local market conditions.