



January 29, 2016

The Honorable Jason Chaffetz, Chairman
Committee on Oversight and Government Reform
2157 Rayburn House Office Building
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Elijah Cummings, Ranking Member
Committee on Oversight and Government Reform
2471 Rayburn House Office Building
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Chaffetz and Ranking Member Cummings:

On behalf of the 1.6 million members of the American Federation of Teachers, including 120,000 physicians, nurses and other health professionals, I thank Chairman Chaffetz and Ranking Member Cummings for organizing the upcoming hearing on the rising cost of pharmaceuticals.

This hearing is critical given the deleterious effects the increase in pharmaceutical costs is having on our patients, our communities and our healthcare system; the hearing should serve as the first step in investigating the questionable behavior of some pharmaceutical companies.

Current conditions in the pharmaceutical industry present unprecedented challenges for ensuring that patients have access to high-quality, affordable drugs. I frequently hear stories from our members about patients who are skipping needed medications because they are forced to choose between their health needs, paying their mortgages, and buying food. It is devastating to hear from retired educators and nurses, who have spent their lives helping people, about the struggles they face in taking care of their own health needs. These choices and the all-too-often resulting tragedies are unnecessary.

As a union, we have worked hard to ensure that our members have access to high-quality, affordable healthcare, which is why we have fought for the Affordable Care Act and to repeal the excise tax on certain plans. It is clear, however, that more must be done to directly address the rising costs of certain pharmaceuticals. Indeed, drastic, unsustainable price increases can be alleviated through adequate checks on large monopolies, patent review that increases competition, and transparency in pricing. I encourage you to seek more information about each during your hearing.

American Federation
of Teachers, AFL-CIO

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The American Federation of Teachers is a union of professionals that champions fairness; democracy; economic opportunity; and high-quality public education, healthcare and public services for our students, their families and our communities. We are committed to advancing these principles through community engagement, organizing, collective bargaining and political activism, and especially through the work our members do.



Patent monopolies stifle innovation and market competition.

Proponents of generous patent protections argue that patents incentivize innovation by offering a measure of economic protection through exclusivity to developers of a pharmaceutical product. But the reality is that these incentives result in stifled competition, which means powerful monopolies emerge.

Larger monopolies result in price gouging, even with generics.

The recent increase in merger activity in the pharmaceutical industry is resulting in even larger monopolies. Unfortunately, the 5,000 percent increase in the cost of Daraprim is not an isolated example. According to pharmaceutical company Valeant's website, branded generics are an attractive business for the company because they enjoy low research and development costs and sustainable sales.ⁱ Valeant increased the cost of one of its heart drugs, Isuprel, by 525 percent shortly following its acquisition of the drug from Marathon Pharmaceuticals.ⁱⁱ

Current price increases are unsustainable.

Cost savings from an increased focus on preventive care and chronic disease management are being undermined by cost increases in pharmaceuticals. As Connecticut State Comptroller Kevin Lembo recently reported, the dramatic rise in drug costs, both traditional and generic, resulted in a 16.9 percent increase for non-specialty drugs—an increase he describes as “unsustainable.”ⁱⁱⁱ

Generics are increasingly integral to patient care. In 2014, generics accounted for 8.6 out of 10 filled days, up from seven in 10 days in 2010. Among those with job-based insurance, “generic prescriptions” is the only medical service category for which utilization increased in 2014.^{iv} It is unacceptable to see such high increases at a time when the change in utilization is concentrated in the generic prescription category.

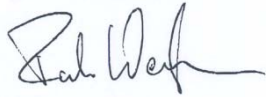
Lack of transparency obscures drug prices and effectiveness.

Drug prices in the U.S. are obscured by proprietary rebates as well as several degrees of separation between the manufacturer and the patient. Further, patients have very little access to information on the comparative effectiveness of different drugs. Many countries use a combination of public sector purchasing power and pricing strategies based on clinical value to drive a hard bargain to the benefit of consumers and patients.^v

As you approach this hearing, I strongly urge you to consider stronger anti-trust laws to limit consolidation in the pharmaceutical industry. We believe such action will ensure that adequate competition remains to drive competitive pricing in all drug classes. Additionally, I urge you to review the patent system. We believe that, when paired with stronger anti-trust laws, commonsense limits on evergreen patents will prevent indefinite monopolies by eliminating undue delay in the introduction of generic drugs.

Thank you again for your important leadership on this issue. Your work is crucial to protecting the viability of our healthcare system and ensuring that patients have access to lifesaving drugs at an affordable price.

Sincerely,



Randi Weingarten
President

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ⁱ Valeant Pharmaceuticals International Inc. website: <http://www.valeant.com/branded-generics>

ⁱⁱ Andrew Pollack, *New York Times*, Sept. 20, 2015. "Drug Goes from \$13.50 a Tablet to \$750, Overnight." http://www.nytimes.com/2015/09/21/business/a-huge-overnight-increase-in-a-drugs-price-raises-protests.html?_r=0

ⁱⁱⁱ Written testimony, Kevin Lembo, Democratic Steering and Policy Committee Hearing "Ensuring Access and Affordability of Prescription Drugs, While Spurring Innovation." Dec. 2, 2015.

^{iv} Health Care Cost Institute. 2014 Health Care Cost and Utilization Report. October 2015.

^v Whalen, Jeanne. "Why the U.S. Pays More than Other Countries for Drugs." *Wall Street Journal*. Dec. 12, 2015.