Closing Statement
Senator Susan M. Collins
Special Committee on Aging

"Valeant Pharmaceuticals' Business Model:
The Repercussions for Patients and the Health Care System"

April 27, 2016

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In closing this hearing, I want to begin by thanking our staff, which has worked very long hours and gone through very complex documents, and has worked very hard on this investigation.

I also want to note a point that has troubled me which might help explain why Valeant pursued this strategy. Since last fall, Valeant has been saying that the business unit that houses all four of these drugs is "not core to its business or strategy" and is getting "smaller and smaller" as a share of net revenue. But the data that we have looked at demonstrates that the net revenues from the four drugs we have been examining is rising – not falling. Indeed, their contribution to Valeant's net income rose to a significant 23.3 percent in February. These price spikes thus appear to be very much the core of the company's business strategy. And that is what is troubling to me.

The second point that I want to make is I believe this does represent a market failure, and it represents a failure of the processes that we have in the federal government, at the FDA, to try to incentivize lower-price generics to come to market, to compete with monopoly drugs. And that's why the Ranking Member and I have collaborated on legislation to change this. But this is not a "free market" in any sense of the word. The government is a major payer at both the federal and the state level. Pharmaceutical companies receive protection under out patent laws, for ten to 17 years so that they have exclusive rights to reward them for developing new drugs.

It is thus troubling when we see companies—and Valeant may be the largest that we reviewed, but it's not the only one—exploiting the system, locating monopoly drugs that are the gold standard for treatment of very serious conditions, and then exploiting the system to raise the cost of these drugs to unconscionable levels despite the fact that these companies have not invested one dime in developing these drugs. In every case that we looked at, the drugs are decades old. Nor have manufacturing costs increased. Nor has there been a change in the formulation of the drug that would cause there to be a price increase. That is all very, very troubling. This kind of price manipulation and abuse of pricing has real consequences. It has consequences for patients like Mrs. Heyman who can't take the drug of her choice—that worked the best for her—that she would switch back to in a minute if the price were not so high.

It has consequences for doctors who are treating individuals who need these drugs. As one of our witnesses explained today, he had to hire two new employees to do nothing but help navigate the terrain to help patients secure these drugs. It has consequences for our hospitals at a

time when they are trying to lower health care costs, and they can't control the cost of these drugs that they desperately need to treat their patients. And that's why this issue concerns us so much. That is why we have begun this investigation. And that is why we are determined to come up with solutions: legislative recommendations, policy changes, to solve this problem.

I know this has not been a pleasant experience for this panel today, but I hope that you will take your expressions of regret for what has been done to the pricing of these four drugs and the harm that it has caused and give us the benefit of your experience to help us prevent this from happening again.

Again, I do want to thank all of our witnesses who are here today. We are determined to come up with solutions. This isn't just an investigation to expose the problem; it's an investigation to help us get to solutions.