****As Prepared for Delivery****

Opening 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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Good afternoon. This is the third hearing in our bipartisan investigation into prescription drug pricing.

Today, we will focus on Valeant Pharmaceuticals and four drugs it controls: Syprine, Cuprimine, Nitropress, and Isuprel. These drugs had been affordable and easy to get for decades, but after Valeant acquired them, their prices went through the roof.

For example, Nitropress, used to treat dangerous cardiac conditions and typically found on hospital crash carts, cost about $215 per vial at the time of its acquisition by Valeant. The very day the deal closed, Valeant hiked the price to about $650, and later to about $880 -- a 310 percent increase. The price increases for the other three drugs were even worse: 720 percent for Isuprel, almost 3,200 percent for Syprine, and nearly 6,000 percent for Cuprimine.

As we will hear from the witnesses on our first panel, these enormous and unwarranted price hikes have had far-ranging and severe impacts on patients, hospitals, and our health care system.

Valeant is much larger and more established than either of the companies once headed by Martin Shkreli that were the focus of our last hearing. Like Turing and Retrophin, Valeant also captured decades-old drugs and charged unjustified prices, but with far broader implications.

In fact, it is telling that both Valeant and Mr. Shkreli identified the same two drugs for price manipulation. In 2012, Mr. Shkreli negotiated a deal, which ultimately fell through, to buy Cuprimine and Syprine from Valeant. Around the same time, Valeant was analyzing how high a price increase it could impose on both of those drugs.

Valeant's monopoly model operates at the expense of real people. Over the course of our investigation, individuals from across the nation have shared their stories with us. Just last week, a mother called to tell her son's story—a young man with a disability who had been on Syprine for many years, and is now on week four and counting, without medication, which we know can have very serious consequences for his health. Valeant's price hikes have made life-saving medications inaccessible for some patients who desperately need them.

The company is quick to point to the Valeant Coverage Plus Program it instituted, claiming that this program helps "ensure patients have access to the medication they

need." Testimonials, however, paint a very different picture. Many people don't even qualify, and those who may be eligible face a program that is inefficient, difficult to navigate, slow, and often, too late. Behind the scenes, Valeant documents show that the program was designed to benefit Valeant the company and to provide patient assistance only as "a last resort."

Valeant also stated that its price hikes were driven by the need to make "a reasonable return" and to ensure that its "business is sustainable." Indeed, this is exactly the standard line they gave to one of our witnesses, Berna Heyman, when she wrote to CEO Michael Pearson to ask why Valeant had increased the price of the drug she needs to control her Wilson Disease. Mrs. Heyman raised the right question. Valeant spent nothing at all to develop the drug Mrs. Heyman requires, and no change in the drug's formulation explains the price hike.

Our investigation has revealed that Valeant has already recovered the full cost of acquiring these four drugs, and the cost of manufacturing them is dwarfed by the net revenue they generate. It is also apparent that these drugs make an out-sized contribution to the company's net income.

We can find nothing to explain these dramatic price increases beyond Valeant's desire to take advantage of monopoly drugs. Its price-gouging strategy appears to be based on careful study of the FDA approval process. The company knows it often takes years before generic competitors can clear the hurdles imposed by that process to enter the market and compete. During that period, Valeant exploits its de facto monopoly.

To protect the American public, we must act to address these market failures. Our hearing today, and our investigation, are intended to produce policy reforms, such as the legislation I have introduced with the Ranking Member to fast-track the approval of certain generics, especially those that could compete with decades-old drugs that are vulnerable to the abusive pricing we have seen from Valeant and certain other companies.

I look forward to the statement of Ranking Member McCaskill and the testimony of our witnesses.