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Reality Checking Mylan CEO's Testimony on EpiPen Prices

Mylan acquired the rights to EpiPen, a largely decades-old technology for an even older drug, in 2007 and began marketing in the United States at an inflation-adjusted price of \$109 for two pens. Mylan has spiked its price by five-hundred dollars since, taking advantage of millions of people who are doing their best to protect their families from life-threatening allergic reactions.

As Mylan increased EpiPen prices by about 450%, it also increased CEO Heather Bresch's pay at a comparable though slightly steeper rate; by 600% to \$19 million today.

Here are some excerpts from Mylan CEO Heather Bresch's prepared testimony before the U.S. House Committee on Oversight and Government Reform today, in defense of Mylan's price gouging, and Public Citizen's reality check:

- Bresch: "As primarily a generic pharmaceutical company, we must invest heavily in research and development and manufacturing in order to produce billions of doses and bring hundreds of new products to market every year. This year, for example, we will spend approximately \$1.2 billion on R&D and manufacturing facilities, or roughly \$3 million per day."
 - Bresch conflates research and development and the cost of manufacturing. Manufacturing costs do not reflect product improvements, and cannot answer the criticism that Mylan has spiked the price of an old product without making substantial improvements to it.
 - Mylan makes as much profit off EpiPen alone every year as the company claims to invest across all product lines in R&D plus manufacturing (Bresch claims Mylan markets 2,700 products).
- "The issue of EpiPen has two equally critical dimensions - price and access. With the current focus on pricing, I'm very concerned that the access part of the equation is being minimized."
 - Affordable prices are essential to ensuring everyone can access needed medical treatment. When prices are high, as they are for EpiPen, people must choose between paying for their EpiPen and other household expenses, like groceries or car payments.
 - Meanwhile, we all pay for EpiPen price gouging through rising insurance premiums and taxes to Medicare and other public programs that must pay part of inflated EpiPen prices.

- According to Kaiser Health, Medicare Part D spending on the EpiPen increased more than 1000 percent from 2007 to 2014. All Americans pay for this price abuse through our taxes. The end result can be only higher taxes or reduced availability of services.
- “In the more than 8 years we have owned the EpiPen product, we have worked diligently and invested to enhance the product and make it more available. In fact, we have invested more than one billion dollars in the efforts.”
 - Bresch ignores the point that the payback – and rationale – for marketing is increased sales. It is not a justification for price spikes and profiteering. Mylan’s primary EpiPen investments have been in marketing.
 - When marketing to “raise awareness,” why was it necessary to raise the price?
- “In the complicated world of pharmaceutical pricing there is something known as the Wholesale Acquisition Cost or WAC. The WAC for a 2 unit pack of EpiPen Auto-Injectors is \$608. After rebates and various fees, Mylan actually receives \$274. Then you must subtract our cost of goods which is \$69. This leaves a balance of \$205. After subtracting all EpiPen Auto-Injector related costs our profit is \$100, or approximately \$50 per pen.”
 - Mylan should publish the raw data and associated contracts, so its claims can be independently analyzed. “Related costs,” for example, may include marketing.
 - Mylan’s U.S. revenue from each pack is more than it charges for the device in most wealthy countries.
 - Even if Mylan’s claims provided the appropriate context – which they do not – \$100 would still be a large profit from a device with such a low manufacturing cost, any development costs of which were recouped many years ago, containing a century-old drug.
 - Is Mylan making a profit from sales in foreign countries where prices are far lower? Did it make a profit when it first acquired the product and sold it for just over \$100?
 - Mylan [reports](#) \$7.65 billion in net sales for 2014, more than \$1 billion of which comes from EpiPen net sales. The company reports \$3.53 billion gross profit in 2014, with a gross margin of 45.7 percent, and specifically reports that “Adjusted Gross Margins were favorably impacted in 2014 as a result of ... favorable pricing and volume on the EpiPen® Auto-Injector in our Specialty segment by approximately 45 basis points.” (Mylan 2015 Form 10-K, filed February 16, 2016, available at: <http://files.shareholder.com/downloads/ABEA-2LQZGT/2875147553x0xS1623613%2D16%2D46/1623613/filing.pdf>.)

- “The pricing of a pharmaceutical product is opaque and frustrating, especially for patients.”
 - That much is true. Of course, Mylan could release more information.
- “In the last few weeks, we’ve confronted the EpiPen issue head on ...”
 - Mylan has introduced a series of convoluted mechanisms to avoid plan talk about price.
- “We announced the first ever generic version of the EpiPen product, which will be priced at \$300. This unprecedented move is the fastest and most direct way to reduce the price for all patients.”
 - The most direct way to reduce price is to reduce price.
 - Mylan’s plan will preserve a large part of its premium \$600+ market for the brand-name EpiPen.
 - There is reason to suspect that Mylan’s early introduction of a generic version of its own product is intended to grab market share and diminish the impact of market entry from actual competitors. In that way, it may actually be anticompetitive.
- “We increased our My EpiPen Savings Card program benefit for the brand product from \$100 to \$300 ... we doubled the eligibility of patients receiving free pens from \$48,600 to \$97,200 for a family of four.”
 - Coupons, discount cards and patient assistance programs are a false solution for consumers hit with gigantic out-of-pocket costs. First, many consumers will not use the coupons or the programs. Second, many consumers with high deductibles or no insurance will still need to pay far too much for EpiPens – \$300 for a set of two – a problem made worse by the facts that many families purchase multiple sets of EpiPens and that EpiPens must be replaced every year.
 - Equally as important, coupons and discount cards do virtually nothing to alleviate the rip-off of the health care system, for which all Americans pay as consumers and taxpayers. Because of the opacity in the pharmaceutical market, we don’t know what private and public insurers actually pay for EpiPens, but there’s no question that the price is higher than it would be if Mylan’s retail price were lower.