United States Senate
SPECIAL COMMITTEE ON AGING
WASHINGTON, DC 20510–6400
(202) 224–5364

March 16, 2010

Mr. James Elkin
Vice President, Federal Government Relations
Novartis Corporation
701 Pennsylvania Avenue NW
Suite 725
Washington, DC 20004

Dear Mr. Elkin:

The Senate Special Committee on Aging (Committee) is charged with the continuing study of all matters pertaining to older Americans, including their health. As Chairman of this Committee, I take my duty of ensuring that seniors receive adequate and affordable care very seriously. In this vein, access to prescription drugs is a major concern of mine. I have long pursued efforts to lower the cost of prescription drugs and increase access to generic medications where appropriate.

I have grown increasingly disturbed by the large discrepancies in the price of prescription drugs across industrialized countries. These differentials are dramatic and often put American consumers at a severe disadvantage globally. According to the Organization for Economic Cooperation and Development (OECD), the United States spends an average of $878 per person on prescription drugs. The average for other industrialized countries is $446.

Americans pay, on average, twice as much as people in other industrialized nations, and four times more than citizens of New Zealand, on their prescription medications. Of the top twelve most commonly prescribed drugs in the United States, Novartis markets two; Lopressor (metoprolol) and Diovan (valsartan). According to data prepared by IMS Health, in the United States, one dose of Lopressor (metoprolol) costs $0.82. In both France and New Zealand, the cost drops to $0.23; in the Netherlands, $0.22; in Australia and in Switzerland, $0.20; in the United Kingdom, $0.19; and in Germany, $0.17.

There is a similar discrepancy for Diovan (valsartan), where the cost per dose is $1.68 in the United States. The cost drops to $1.14 in Switzerland; $1.12 in the United Kingdom; $1.06 in Canada, $0.96 in Germany; $0.86 in the Netherlands; and $0.84 in France.[1]

While I firmly believe that drug quality should not be sacrificed for cost, the large discrepancies in the cost of identical drugs cannot be explained by differences in production or manufacturing.

[1] http://www.imshealth.com/portal/site/imshealth/menuitem.a953aef4d73d1ecd88f611019418c22a/?vgnextoid=bb967900b55a5110VgnVCM10000071812ca2RCRD&vgnextfmt=default

Therefore, I am asking that you respond in writing to the following questions, providing any and all relevant documentation to the Committee:

(1) Please provide detailed, written explanations for the drug price discrepancies described above.

(2) Please detail for the Committee the cost increases for the drug(s) mentioned above over the last ten years in each country, and include information and documentation as rationale.

(3) Ireland recently announced price reductions of up to thirty percent or more for commonly used pharmaceuticals, such as the one listed above. In your opinion, why are prices in countries such as Ireland and the Philippines being reduced, while those same drug costs continue to climb for U.S. consumers?

(4) Industry representatives contend that the United States' pharmaceutical sector's research and development capabilities and accomplishments are unparalleled in the world, and that domestic pharmaceutical manufacturers are responsible for a disproportionate share of needed innovation in pharmaceuticals and biologics. Despite the enormous annual investment made by the U.S. Government and American consumers in pharmaceuticals, why aren't U.S. drug prices competitive when compared to the prices in other industrialized countries?

(5) How much and what percentage of your research budget is comprised of U.S. federal funds?

(6) What are the profit margins and distribution costs in the each of the countries listed? What percentage of your overall profit for the drug(s) listed above comes from the U.S.?

(7) Please list the number of employees in every country in which you employ them. What percentage of your operation is in the U.S.?

(8) How much did your company spend on marketing each of these drug(s) in each country listed? How much was spent directly on marketing to physicians?

(9) Did your company manufacture free samples of any of the aforementioned drug(s)? If so, please provide data on the cost associated with manufacturing and distributing these samples.

In cooperating with the Committee's review, no documents, records, data or information related to these matters shall be destroyed, modified, removed, or otherwise made inaccessible to the Committee.

Thank you for your cooperation. I request that you respond to this inquiry by Monday, April 5, 2010. Should you have any questions, feel free to contact Joy McGlaun in my office at 202-224-5364 or Joy_McGlaun@aging.senate.gov. Thank you.

Sincerely,

Herb Kohl
U.S. Senator
Chair, Special Committee on Aging