TESTIMONY OF MICHAEL SMITH
SENIOR DIRECTOR OF BUSINESS DEVELOPMENT
TURING PHARMACEUTICALS LLC

Before the

SENATE SPECIAL COMMITTEE ON AGING

Hearing on

DRUG PRICING PRACTICES

March 17, 2016

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Thank you, Chairman Collins, Ranking Member McCaskill, and distinguished Members of the Senate Special Committee on Aging. I'm pleased to appear here today at the request of the Committee.

I am part of the business development team at Turing Pharmaceuticals, where my responsibilities include looking at opportunities to acquire undervalued products. I am not part of the company's executive leadership team.

I received my undergraduate degree in finance from Fordham University. I started my career as an investment analyst. Later, I joined the business development group at Retrophin. I left Retrophin in 2014 to join Turing. I reported to Martin Shkreli before he resigned as CEO of Turing in December 2015.

Turing acquired the rights to market Daraprim® in the U.S. from Impax in August 2015.

We viewed Daraprim as an undervalued treatment for a serious but neglected disease, toxoplasmosis. This acquisition gave us an important foothold in the treatment of toxoplasmosis and a revenue stream to fund research into new drug treatments. I care deeply about the patients who take our drug, and Turing is committed to innovation in life-saving drugs.

One of our R&D programs is focused on the potential for developing an improved treatment for toxoplasmosis. Some day we hope to market worldwide a next-generation toxoplasmosis drug that could have the potential for a greater return on our investment.

I did not participate directly in the negotiations with Impax regarding the purchase of Daraprim. My responsibilities focused on certain aspects of due diligence for the transaction, including with respect to potential generic entry and collecting information from physicians about the use of Daraprim.

I worked on a valuation model related to Daraprim with other members of the Business Development team, but I did not participate in the decision to increase the wholesale list price of the drug.

My responsibilities for business development do not include the aspects of Turing's business that I understand are most relevant to the issues under review:

- I don't have responsibility for drug pricing, marketing, sales, market access, or distribution.

- I'm not familiar with the procedures for drug payment and invoicing or with the prices paid for our drug Daraprim® by various entities in the different distribution channels, including government entities, hospitals, commercial insurance companies, or pharmacy benefit managers.

- I don't deal with any patient access issues.

- And I have no involvement in administering the extensive patient assistance programs that Turing funds in order to ensure that all patients who need Daraprim can get the drug regardless of ability to pay.

All of these matters are handled by our experienced Commercial team headed up by Nancy Retzlaff, Turing's Chief Commercial Officer.

I'm also not a scientist, and I'm not responsible for Turing's R&D programs. The person most familiar with those programs is Dr. Eliseo Salinas, Turing's President of Research and Development.

I know the Committee has focused on certain portions of business development documents and presentations prepared for investors.

Some of these documents reflect a suggestion that restricted distribution of branded drugs can make it difficult for generic companies to obtain product samples for bioequivalence testing. Others emphasize that drugs tend to be more valuable if they're the preferred treatment for serious diseases with small patient populations and there's no good substitute.

These are assumptions that investors sometimes make when evaluating a potential investment, but they don't always reflect the realities of the commercial marketplace. Every drug is different.

For example, I understand from our Commercial team that Turing supplies Daraprim in large volumes to some institutional purchasers. We don't have the ability to control access to the product once it goes into those channels.

And Turing inherited the distribution system put in place by the prior owner of Daraprim. Since then, we've improved distribution to expand access to the drug.

I also understand that there are real benefits for patients and physicians from the specialty pharmacy services offered for Daraprim users.

The people at Turing most familiar with these commercial realities are Nancy Retzlaff and her team. For my part, while I'm not responsible for the commercial side of the business, I do believe that these are factors critical to the Committee's understanding of the actual market dynamics involved in drug pricing and patient access.

Thank you, Madame Chairman.