

The United States Senate Committee on Finance

For Immediate Release

December 01, 2011

Contact:

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Baucus, Grassley, Kohl Examine Pharmaceutical Deals that Limit Access to Generic Drugs

Senators Request Information on Agreements between Pfizer, Drug Benefit Companies, and Insurance Companies Pertaining to Promotion of Heart-Disease Drug Lipitor

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.), senior Finance Committee member Chuck Grassley (R-Iowa) and Special Committee on Aging Chairman Herb Kohl (D-Wisc.) sent letters today to Pfizer, three companies that manage pharmaceutical benefits and two insurance companies asking for information about agreements aimed at limiting the sale of Atorvastatin, the generic equivalent of Pfizer's drug Lipitor. The letters were sent after a news report alleged Pfizer agreed to provide discounts to pharmaceutical benefit management companies (PBMs) and insurance companies if the PBMs and the insurers would block prescriptions for Lipitor's generic equivalent. In letters sent to Pfizer, PBMs Medco, Express Scripts, and Catalyst RX and insurance companies Coventry Health Care and UnitedHealth, the Senators expressed concern these arrangements will hinder access to generic drugs today and in the future.

“We need to do all we can to preserve access to the generic drugs that so are critical to seniors and millions of Americans across the country. Patients and their families depend on generic drugs and they can't afford to see these generics pushed out of the market,” Baucus said. **“By working with manufacturers to push brand-name drugs, drug benefit companies may be abusing Medicare to boost their profits and denying generic alternatives to patients – a practice that needs to end immediately. We need to take a close look to ensure we're protecting both taxpayer dollars and access to the medicine patients need.”**

“In what's been reported, just about everyone wins except consumers and taxpayers. That's cause for scrutiny, and these letters reflect a commitment to looking at how to prevent the system from being manipulated so that access to generic drugs is restricted and taxpayers are forced to unnecessarily pay brand-name drug prices.” Grassley said.

“Consumers and taxpayers foot the bill when drug benefit companies and insurers manipulate the marketplace to prevent access to generic drugs for millions of Americans. We hope that scrutiny into these business practices will restore fairness and open the

gates to affordable prescription drug choices and tremendous cost savings,” Kohl said.

The news report indicated Pfizer and PBMs Medco Health Solutions and Catalyst RX have entered into agreements aimed at undercutting Atorvastatin sales. Letters sent from the PBMs to pharmacies show the agreements will prevent customers enrolled in certain prescription drug plans from receiving the generic alternative to Lipitor. While these letters indicate that a plan member's co-pay for Lipitor would be discounted and equal to the cost of a less-expensive generic prescription, the Senators are concerned the PBMs and insurance companies may charge health plan sponsors, including employers and Medicare Part D, full price for brand-name Lipitor from December 1, 2011 through May 31, 2012, while pocketing the discount from Pfizer. The senators asked for a detailed list of all of all agreements which block generics or favor brand-name drugs and for documents related to the Lipitor deal.

Spending on the Medicare Part D program providing drug coverage for seniors will total \$65 billion in the current fiscal year. In the next four years, brand-name drugs with approximately \$100 billion in sales in the U.S. have patents that will expire. Without the prospect of true competition, generic drug manufacturers will be hesitant to invest the time and resources required to bring low-cost generic drugs to the market. This heightens the concern that these types of arrangements will become a trend, ultimately compromising access to generic drugs and increasing costs to Medicare.

The United States Senate Committee on Finance has jurisdiction over the Medicare and Medicaid programs. More than 100 million Americans receive health care and have access to affordable prescription drugs under those programs.

Two letters are included below, the first sent from the senators to Pfizer and the second to Catalyst RX. The other letters sent to PBMs and insurance companies mirror the one sent to Catalyst RX.

November 30, 2011

Ian Read
President and Chief Executive Officer
Pfizer Inc.
235 East 42nd Street
New York, NY 10017

Dear Mr. Read:

As Chairman of the Senate Committee on Finance, Ranking Member of the Senate Committee on the Judiciary, and Chairman of the Special Committee on Aging, we have a special responsibility to the more than 100 million Americans who receive health care under Medicare, Medicaid and CHIP, including ensuring their access to affordable prescription drugs.

A November 11, 2011 *New York Times* article reported that Pfizer has entered into agreements with pharmaceutical benefit management companies (PBMs), including Medco Health Solutions (Medco)

and Catalyst RX, aimed at undercutting the sale of a generic version of Lipitor (atorvastatin). Letters from PBMs to pharmacies show that the agreements will prevent customers enrolled in certain prescription drug plans from receiving generic atorvastatin.

While letters from PBMs to pharmacies indicate that a plan member's co-pay for Lipitor would be discounted and equal to the cost of a generic prescription, we are concerned that the PBMs may charge health plan sponsors, including employers and Medicare Part D, full price for brand name Lipitor from December 1, 2011 through May 31, 2012 while pocketing the discount from Pfizer.

In addition, we are concerned that arrangements like this will hinder access to generic drugs today and in the future. Without the prospect of true competition, generic drug manufacturers will be hesitant to invest the time and resources required to bring low-cost generic drugs to the market. In the next four years, brand named drugs with approximately \$100 billion in sales in the U.S. have patents that will expire. This heightens our concern that these types of arrangements will become a trend, ultimately compromising access to generic drugs and increasing overall health care costs.

Given concerns that these, and similar, agreements between pharmaceutical companies and PBMs, may increase health care costs for consumers and prevent generic competition, please provide the following information:

1. Provide a list of all agreements between Pfizer and PBMs or health insurance plans in which the PBM or the plan agrees to exclude a generic drug from plan coverage or favors a Pfizer drug over a generic. For each agreement listed, provide the product names for the branded drug and generic drug, the average wholesale prices, and any discount provided to the PBM or plan. In addition, please include any payments to PBMs, insurance plans, or any third parties as part of an agreement, including but not limited to education grants, research, advertising, promotion, access fees, formulary management fees, and data collection fees.
2. Provide a copy of each agreement listed above with all attachments and addendums and related financial analyses or reports.
3. Provide all documents and communications pertaining to the agreements to prevent the sale of generic atorvastatin during the exclusive marketing period.
4. Provide all presentations to you and/or the Board of Directors describing agreements or contracts in which Pfizer provided discounts in exchange for PBMs and/or insurance plans either favoring Lipitor over a generic drug or excluding a generic drug from plan coverage all together.

In cooperating with the Committees' review, no documents, records, data, or other information related to these matters, either directly or indirectly, shall be destroyed, modified, removed, or otherwise made inaccessible to the Committees.

We look forward to hearing from you by no later than December 21, 2011. All documents responsive to this request should be produced electronically, on a disc, in searchable PDF format. If you have

questions regarding this request, please contact Christopher Law with Chairman Baucus at (202) 224-4515, Erika Smith with Ranking Member Grassley at (202) 224-5225, or Sarah Levin with Chairman Kohl at (202) 224-5364.

Sincerely,

Charles E. Grassley
Ranking Member
Senate Judiciary Committee

Herb Kohl
Chairman
Senate Aging Committee

Max Baucus
Chairman
Senate Finance Committee

November 30, 2011

David T. Blair
Chief Executive Officer
Catalyst Rx
800 King Farm Boulevard
Rockville, Maryland 20850

Dear Mr. Blair:

As Chairman of the Senate Committee on Finance, Ranking Member of the Senate Committee on the Judiciary, and Chairman of the Special Committee on Aging, we have a special responsibility to the more than 100 million Americans who receive health care under Medicare, Medicaid, and CHIP, including ensuring their access to affordable prescription drugs.

A November 11, 2011 *New York Times* article reported that Pfizer has entered into agreements with pharmaceutical benefit management companies (PBMs), including Medco Health Solutions (Medco) and Catalyst RX, aimed at undercutting the sale of a generic version of Lipitor (atorvastatin). Letters from PBMs to pharmacies show that the agreements will prevent customers enrolled in certain prescription drug plans from receiving generic atorvastatin.

While letters from PBMs to pharmacies indicate that a plan member's co-pay for Lipitor would be discounted and equal to the cost of a generic prescription, we are concerned that the PBMs may charge health plan sponsors, including employers and Medicare Part D, full price for brand name Lipitor from December 1, 2011 through May 31, 2012 and simply pocket the discount from Pfizer.

In addition, we are concerned that arrangements like this will hinder access to generic drugs today and in the future. Without the prospect of true competition, generic drug manufacturers will be hesitant to invest the time and resources required to bring low-cost generic drugs to the market. In the next four years, brand named drugs with approximately \$100 billion in sales in the U.S. have patents that will expire. This heightens our concern that these types of arrangements will become a trend, ultimately compromising access to generic drugs and increasing overall health care costs.

Given concerns that these, and similar, agreements between pharmaceutical companies and PBMs, may increase health care costs for consumers and prevent generic competition, please provide the following information:

1. Provide a list of all agreements between Catalyst Rx and pharmaceutical companies in which pharmaceutical companies provide discounts in exchange for Catalyst Rx excluding a generic drug from plan coverage or favoring a brand-name drug over a generic. For each agreement listed, provide the product names for the branded drug and generic drug, the average wholesale prices, the cost of a 30-day supply of the drugs, the discount amount from the manufacturer, the discount amount passed through to the plan member, the consumer co-payment amount, and number of plan members affected, including the number of Medicare plan members. In addition, please note any payments received from the manufacturer or any third party as part of an agreement, including but not limited to education grants, research, advertising, promotion, access fees, formulary management fees, and data collection fees.
2. Provide a copy of each agreement listed above with all attachments and addendums and related financial analyses or reports.
3. Provide all documents and communications pertaining to the agreements between Pfizer and Catalyst Rx to prevent the sale of generic atorvastatin during the exclusive marketing period
4. Provide all presentations to you and/or the Board of Directors describing agreements or contracts in which pharmaceutical companies provide discounts in exchange for Catalyst Rx excluding a generic drug from plan coverage.

In cooperating with the Committees' review, no documents, records, data, or other information related to these matters, either directly or indirectly, shall be destroyed, modified, removed, or otherwise made inaccessible to the Committees.

We look forward to hearing from you by no later than December 21, 2011. All documents responsive to this request should be produced electronically, on a disc, in searchable PDF format. If you have questions regarding this request, please contact Christopher Law with Chairman Baucus at (202) 224-4515, Erika Smith with Ranking Member Grassley at (202) 224-5225, or Sarah Levin with Chairman Kohl at (202) 224-5364.

Sincerely,

Charles E. Grassley
Ranking Member
Senate Judiciary Committee

Herb Kohl
Chairman
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Chairman
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