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United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

WASHINGTON, DC 20510-6250

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October 26, 2015

Mr. J. Michael Pearson
Chairman of the Board and Chief Executive Officer
Valeant Pharmaceuticals International Inc.
400 Somerset Corporate Blvd.
Bridgewater, NJ 08807

Dear Mr. Pearson:

On September 23, 2015, I sent a letter and more than 20 requests for information to you concerning Isuprel and Nitropress, medications for which Valeant has increased the price per vial from \$215 to \$1,472.25 and \$257.80 to \$880.88, respectively. On October 14, 2015, you responded with a letter which you shared with the media in conjunction with your announcement that Valeant had received federal subpoenas.

Your letter provided limited information on revenue associated with Isuprel and Nitropress and reimbursement for these drugs under federal programs, as well as cursory descriptions of the analyses Valeant performed in connection with its price increases. Your response failed to detail—as requested—the total expenses associated with Isuprel and Nitropress, the dates and amounts of specific price increases by Valeant, contracts related to the purchase of the active pharmaceutical ingredients for these medications, or a list of other drugs for which Valeant has increased prices by more than 100% since 2013. You did, however, make clear that Valeant “has not implemented material changes to Nitropress or Isuprel since the products were acquired from Marathon.”¹ In other words, as I stated at the Permanent Subcommittee on Investigations hearing on July 30, 2015, the only change Valeant has made to these drugs has been their labels.²

Your failure to provide a complete response to my requests is deeply disappointing. Since my September 30 letter, the issue of price gouging in the drug market—and Valeant’s practices in particular—has only become more pressing. According to a recently reported Deutsche Bank analysis, Valeant has raised prices on its branded drugs by an average of 66% in 2015, roughly five times the rate of its peers in the pharmaceutical industry.³ A September

¹ Letter from J. Michael Pearson to Sen. Claire McCaskill (Oct. 14, 2015).

² Senate Permanent Subcommittee on Investigations, *Hearing on the Impact of the U.S. Tax Code on the Market for Corporate Control and Jobs*, 114th Cong. (July 30, 2015).

³ *Valeant’s Drug Price Strategy Enriches It, but Infuriates Patients and Lawmakers*, New York Times (Oct. 4, 2015).

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report by the Ascension Health healthcare system highlighted at least two other Valeant drugs—Edecrin and Mephyton—that have seen price increases of over 100% from 2014 to 2015, with a financial impact on Ascension Health of roughly \$1.2 million.⁴ Moreover, Timothy Roettger, Vice President of Pharmacy Services at SSM Health St. Louis, informed my staff that Nitropress has just entered SSM Health’s “million dollar per year” list—whereas they previously spent under \$100,000 per year on the drug. This will contribute to what he describes as “an unsustainable health care model that unfairly increases costs for patients.”⁵ On the patient level, the *New York Times* recently reported that for one individual suffering from Wilson disease, Valeant’s decision to quadruple the price of the drug Cuprimine increased his out-of-pocket expenses from \$366 to \$1,800 a month.⁶

I am a firm believer in the power of the capitalist marketplace. Yet, for the reasons outlined above and others, I remain skeptical that Valeant’s strategy of rapid acquisition, sharp reductions in research and development funding, and dramatic price increases yields the “economic and social benefits” you claimed in your October 14 response. I encourage you to consider that transparency and openness regarding Valeant’s pricing decisions can serve as a better long-term strategic model than obfuscation and delay. Your shareholders and the public will surely benefit from knowing these decisions are the result of rational factors—if that is, in fact, the case—and not simply an example of price gouging with life-and-death consequences.

To that end, it is my intention to continue investigating Valeant’s drug pricing policies, as well as recent allegations concerning the business model Valeant has pursued under your leadership. I hope that in the coming weeks and months Valeant will prove willing to respond to my inquiries in a substantive and forthright way.

Sincerely,



Claire McCaskill
Ranking Member
Permanent Subcommittee on Investigations

cc: Rob Portman
Chairman
Permanent Subcommittee on Investigations

⁴ Ascension Health, *Increasing Drug Prices Put Patients at Risk* (Sept. 14, 2015).

⁵ E-mail from the Missouri Hospital Association to Select Committee on Aging Minority Staff (Sept. 4, 2015).

⁶ *Valeant’s Drug Price Strategy Enriches It, but Infuriates Patients and Lawmakers*, *New York Times* (Oct. 4, 2015).