

CEO of EpiPen maker testifies before US Congress

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On Wednesday, the CEO of EpiPen maker Mylan, Heather Bresch, testified before the House Oversight and Government Reform Committee. The congressional hearing was called after Mylan acquired the EpiPen from another company and then hiked the price by more than 500 percent.

The EpiPen is the most widely used device to treat anaphylaxis, a severe allergic reaction to food or insect bites.

Representative Elijah Cummings, D-Md., compared Mylan's practices to those of Valeant and Turing, stating that Mylan was "yet another drug company" that "had jacked up the price of a lifesaving product for no discernable reason."

"They use the simple, but corrupt business model that other drug companies have repeatedly used: find an older, cheap drug that has virtually no competition, and then raise the price over and over and over again," said Cummings.

In her prepared remarks, Bresch, who became the company's CEO in 2012, played up certain figures about Mylan—the number of employees, manufacturing facilities, doses produced annually, etc.—but was silent on the figures that had been specifically requested by the committee: how much the company profited from selling the EpiPen.

After being peppered by questions from Cummings, Bresch revealed that in 2015 the company sold roughly 4 million two-packs of EpiPen, with \$100 for each two-pack being pure profit. In other words, the EpiPen, the company's biggest product, brought in \$400 million in profits to the company in 2015 alone.

Bresch claimed that out of the \$600 sticker-price for the EpiPen two-pack, Mylan receives only \$274, the rest going to pharmacy benefits managers and other middle-men. This would give the company an average profit margin of nearly 40 percent on each EpiPen sold.

According to Reuters, the EpiPen accounted for about 20 percent of the company's overall profits in 2015, making up \$1 billion of the company's \$9.45 billion in overall sales.

After the public backlash against the price hikes, Mylan stated that it would now offer a generic version of the EpiPen for \$300 instead of \$600, raising the question of why it wasn't priced at this level to begin with.

"Suddenly, feeling the heat, Mylan has offered a generic version and cut the price in half," said Committee Chairman

Jason Chaffetz, Republican of Utah, at the hearing, "So that does beg the question, what was happening with that other \$300?"

In her written testimony, Bresch lamented the fact that so much attention was now being paid to the high price of the EpiPen. "With the current focus on pricing, I'm very concerned that the access part of the equation is being minimized," she wrote, apparently oblivious to the fact that the high price has put the EpiPen out of reach for many workers and their families.

Bresch also emphasized the work the company had done to spread awareness of anaphylaxis, bragging that the company had now reached 80 percent more patients. This act was far from altruistic. The awareness campaign was part of the company's marketing strategy to increase the sales of the exorbitantly priced EpiPen. The company spent \$97 million on marketing the device in 2015 alone.

Her boast that the company had given 700,000 EpiPens to 66,000 schools "with no strings attached" was particularly disingenuous. Mylan launched its "EpiPen4Schools" program in 2012, which, contrary to Bresch's written testimony, required schools to purchase EpiPens rather than competing brands if the schools wanted to receive discounted versions, only later changing this policy. The program currently faces an anti-trust probe by the New York attorney general.

According to an article published Wednesday in *USA Today*, when Bresch's mother, Gayle Manchin, took over the National Association of State Boards of Education (NASBE) in 2012, she led the charge to get EpiPens into school nurses' offices and directed the NASBE to develop a policy to address food allergies.

The NASBE had previously sought to avoid corporate influence when making policy decisions. However, according to the previous president, Brenda Welburn, Manchin stopped by her office during the transition period in 2011 and stated that her "daughter's company" could donate to the organization. A year later, Mylan contributed \$25,000.

"It just looked so bad to me," Welburn told *USA Today*. "She [Manchin] becomes president and all of a sudden NASBE is saying EpiPens are a good thing for schools."

Manchin had been appointed by the governor of West

Virginia in 2007 to serve a nine-year term on the state's board of education before becoming the president of the NASBE in 2012. The governor at the time happened to be Gayle Manchin's husband, Joe Manchin, who is now a Democratic senator representing West Virginia.

After a period of intense lobbying of lawmakers by Mylan, federal legislation was passed in 2013 that gave financial incentives for schools to stock epinephrine auto-injectors, which is now a requirement in 47 states. The dominant market position of EpiPen, capturing nearly 90 percent of all epinephrine auto-injector sales, meant that Mylan would be the primary beneficiary. Thus, when Obama signed the law, the White House announcement referred to the legislation as the "EpiPen law."

"That was a Trojan horse," David Maris, a Wells Fargo analyst, told news outlets last month. "That was, 'Let's get it in schools to help people,' but it helps market EpiPen and promote it as the trusted product in schools."

At the hearing, Rep. Mick Mulvaney, Republican of South Carolina, who called himself "a free-market Republican," told Bresch that "you asked for it."

"If you want to come to Washington, if you want to come to the state capital and lobby us to make us buy your stuff, this is what you get. You get a level of scrutiny and a level of treatment that would ordinarily curl my hair," he said.

Bresch attempted to deflect attention away from the difficulty patients have with accessing the EpiPen by noting that 85 percent of patients pay less than \$100, and a majority pay less than \$50. That is, the costs were passed on to private insurers, who pass the costs along to patients through higher deductibles and premiums, and to Medicare.

According to an analysis by the Kaiser Family Foundation released on Tuesday, Medicare Part D spending on the EpiPen increased by 1,151 percent between 2007 and 2014, from \$7 million to \$87.9 million. The increase was due primarily to price hikes. Thus, while the number of enrollees using the EpiPen rose by only 164 percent (from nearly 80,000 to over 211,000), the total spending per prescription increased nearly fivefold, from \$71 in 2007 to \$344 in 2014.

Over the past decade, as the price of the EpiPen increased by more than 500 percent, Bresch's compensation increased by nearly 700 percent, from \$2.4 million to \$18.9 million a year. In response to questioning from Rep. John Mica, Republican of Florida, Bresch claimed that her current compensation was in the "middle" range of compensations for pharmaceutical company CEOs. A 2014 survey of total CEO compensation conducted by *FiercePharma*, however, placed her as the sixth highest paid CEO in the industry.

Mylan has significantly hiked the prices of many of its other drugs as well. According to an analyst report released in June, the company had raised the price of 24 of its products by more than 20 percent, and 7 by more than 100 percent.

For example, it raised the price of its treatment for irritable

bowel syndrome, dicyclomine, by 400 percent. Metoclopramide, its generic treatment for gastroesophageal reflux, went up in price by 444 percent. And the company hiked the price of its generic treatment for gallstones, ursodiol, by 542 percent.

Mylan has carried out similar price hikes in the past. For example, in 1998, after the company cornered the market for the raw materials needed to manufacture two anti-anxiety drugs widely used in nursing homes and among Alzheimer's patients, it jacked up the prices despite there being no significant increase in costs. Mylan raised the price of clorazepate from \$11.36 a bottle to \$377.00 (3,300 percent increase), and of lorazepam from \$7.00 a bottle to \$190.00 (2,700 percent increase). The company paid \$147 million in 2000 to settle charges with the Federal Trade Commission that Mylan had illegally restricted trade.

Last year, in a bid to cut its tax rate, Mylan shifted its company address to the Netherlands as part of its tax inversion strategy.

In a major understatement, Bresch acknowledged in her written testimony that Mylan's "record isn't perfect."

Like the earlier Senate hearing in December of last year, and the House hearing in February of this year, both of which focused on the price-gouging practices of Turing Pharmaceuticals and Valeant Pharmaceuticals, the overriding concern of this hearing was to safeguard the profits of the pharmaceutical industry as a whole by reining in the industry's worst offenders. The same goes for the investigations that have been called for by members of the Senate, and the toothless proposals made by the Democratic presidential candidate, Hilary Clinton.

The purpose of the hearing was to bring in the CEO, give her a verbal lambasting in an attempt to soothe public anger, and then let the industry get back to its normal practice of price-gouging the public, but hopefully in a less flagrant and unashamed fashion.

The inconsequential nature of the proceedings was even noted by Rep. Cummings. "After Mylan takes our punches they'll fly back to their mansions in their private jets and laugh all the way to the bank," he said.



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