

Drug Pricing 2018 – Pfizer, Inc.

RESOLVED that shareholders of Pfizer Inc. (“Pfizer”) ask the Board of Directors to report to shareholders by December 31, 2018, at reasonable cost and omitting confidential or proprietary information, on the risks to Pfizer from rising pressure to contain U.S. prescription drug prices, including the likelihood and potential impact of those risks as applied to Pfizer, the steps Pfizer is taking to mitigate or manage those risks and the Board’s oversight role. The report should address risks created by payer cost-effectiveness analysis, patient access concerns, outcomes-based pricing, and price sensitivity of prescribers, payers and patients.

Supporting Statement: Prescription drug pricing is an urgent and high-visibility public policy issue. National media outlets tell stories of patients delaying treatment or ending up homeless due to drug costs. (E.g., <http://www.npr.org/sections/health-shots/2017/03/15/520110742/as-drug-costs-soar-people-delay-or-skip-cancer-treatments>; <https://www.consumerreports.org/drugs/cure-for-high-drug-prices/>) Outrage greeted Turing Pharmaceuticals’ massive increase in the price of an older AIDS drug and Mylan’s skyrocketing EpiPen price tag. (<http://money.cnn.com/2016/08/25/news/economy/daraprim-aids-drug-high-price/index.html>)

In a 2017 Kaiser Family Foundation poll, “lowering the cost of prescription drugs” was identified as a top health care priority for the President and Congress by over 60% of Democrats and Republicans, and 58% of independents. (<https://www.kff.org/report-section/kaiser-health-tracking-poll-late-april-2017-the-future-of-the-aca-and-health-care-the-budget-rx-drugs/>) In October 2017, California began requiring companies to notify regulators when they intend to raise the price of a drug by 16% or more over two years and explain why the increase is necessary. (<http://www.npr.org/sections/health-shots/2017/10/04/551013546/california-bill-would-compel-drugmakers-to-justify-price-hikes>)

A recent Credit Suisse report identified Pfizer as a company where price increases accounted for at least 100% of EPS growth in 2016. (Global Pharma and Biotech Sector Review: Exploring Future US Pricing Pressure, Apr. 18, 2017, at 1) In our view, excessive dependence on drug price increases is risky and unsustainable because the impact of price increases could harm Pfizer’s reputation with the public and provoke a backlash from insurers, prescribers and regulators.

Pfizer’s price hikes have sparked negative press attention. The press reported that Pfizer had twice raised the U.S. price of nearly 100 of its drugs in 2017 by an average of nearly 10%. (See, e.g., <https://www.ft.com/content/b2e0dd80-47ab-11e7-8519-9f94ee97d996>; <http://thehill.com/blogs/blog-briefing-room/336161-pfizer-hikes-price-on-nearly-100-drugs-report>)

Attention has focused on Pfizer’s subsidiary, Hospira, for raising the price of naloxone, a drug used increasingly by first responders to save lives by reversing opioid overdoses, from \$9.20 for 10 one-millimeter vials in 2005 to over \$200 for the same quantity in 2013. A House subcommittee held hearings on naloxone pricing in September 2016 and two Senators requested information from Pfizer about naloxone pricing.

(<https://www.cnn.com/2017/01/04/as-opioid-epidemic-worsens-the-cost-of-waking-up-from-an-overdose-soars.html>)

Pfizer's pricing strategies have also caused problems with regulators. In late 2016, Britain's Competition and Markets Authority fined Pfizer \$106 million for hiking the price of a generic epilepsy drug by 2600%. (<https://www.usatoday.com/story/money/2016/12/07/pfizer-fined-106m-2600-price-hike-epilepsy-drug/95084786/>) The Authority said there was "no justification" for the price increase, given the age of the drug. (<https://www.gov.uk/government/news/cma-fines-pfizer-and-flynn-90-million-for-drug-price-hike-to-nhs>)

The disclosure requested by this Proposal will allow shareholders to better assess the risks created by Pfizer's pricing strategy in the current environment. We urge shareholders to vote for this proposal.