

Congress of the United States

Washington, D.C. 20515

October 15, 2018

Kenneth C. Frazier
Merck & Co.,
2000 Galloping Hill Road,
Kenilworth, NJ 07033

Dear Kenneth C. Frazier:

Your company is one of the largest pharmaceutical corporations producing many lifesaving and life-sustaining drugs, but a life-saving drug is 100% ineffective when it is unaffordable. Merck, like many other pharmaceutical manufacturers, benefits from taxpayer assistance through publicly funded research and corporate tax breaks. We write on behalf of our constituents who are paying multiple times over for their prescription drugs with questions to ensure that the products they help pay to develop are affordable.

Despite resounding pleas from the American public to lower prescription drug prices, an AARP analysis found that the prices of 268 brand name drugs increased at least 15% a year from 2013 to 2015.¹ A recent Americans for Tax Fairness (ATF) report found retail prices for a sample of leading American drugs had soared by 40% to 70%, or increased 14 times the rate of inflation, between 2011-2015.² In that time period, Merck raised the retail prices of its diabetes medication Januvia by roughly 72% . ATF also found that over that same period profits for the ten largest pharmaceutical corporations rose by almost 40% and a report from Oxfam found that large pharmaceutical corporations may be dodging \$3.8 billion in taxes each year through off-shore tax havens.³ This is especially troubling to tax-payers (our constituents) as publicly funded research contributed to every new drug that was approved from 2010–2016.⁴

The Republican Tax Cuts and Jobs Act was introduced in November and signed into law December 22, 2017, the corporate tax rate was reduced by 40% and it is estimated that Merck would receive more than \$2.7 billion in tax cuts in 2018.⁵ In addition, Merck will receive an

¹ Rx Price Watch Report: Trends in Retail Prices of Prescription Drugs Widely Used by Older Americans: 2006 to 2015, <https://www.aarp.org/ppi/info-2016/trends-in-retail-prices-of-drugs.html>

² The Pharma Big 10: Price Gougers, Tax Dodgers, December 2017, <https://americansfortaxfairness.org/wp-content/uploads/Pharma-Drug-Price-Gougers-Tax-Dodgers-Report-FINAL-12-5-17.pdf>

³ Prescription for Poverty, <https://oxfamilibrary.openrepository.com/bitstream/handle/10546/620548/cr-prescription-for-poverty-pharma-180918-en.pdf>

⁴ Contribution of NIH funding to new drug approvals 2010–2016, February 2018, <http://www.pnas.org/content/early/2018/02/06/1715368115>

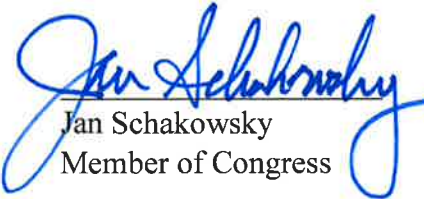
⁵ Trump Tax Law and the Health Care Industry: A \$100 Billion Bonanza, April 17, 2018, <https://www.finance.senate.gov/imo/media/doc/Wyden%20Report%20-%20Trump%20Tax%20Law%20and%20the%20Health%20Care%20Industry%20041718.pdf>


estimated one-time tax cut of \$13 billion on its existing offshore profits.⁶ Since November 28, 2017, your company has announced \$10 billion of stock buybacks.⁷ Instead of using your tax savings to lower prescription drug costs and invest in innovation, your company decided stock buybacks that largely further enrich wealthy investors (or stockholders) were a top priority. Given that, we ask that you respond in writing to the following questions:

- 1) On July 19, 2018, Merck announced that it was dropping the prices of a number of drugs. How much did that price drop represent as a percentage of Merck's entire portfolio? Please list every drug, that had a price increase or decrease along with the original prices and the percentage change, since November 28, 2017.
- 2) Since November 28, 2017, how much have you invested in:
 - a. each clinical trial sponsored or funded by the company,
 - b. preclinical data development,
 - c. acquisition costs of startup firms, patent license or other drug development assets from third parties,
 - d. direct-to-consumer advertising including television, digital, and any other platform,
 - e. direct to prescriber marketing including all costs for Continuing Medical Education, provider office visits, and company sponsored trips and speaking fees.
- 3) Since November 28, 2017, have you discontinued certain drug development portfolios? If so, what drug development products were discontinued and why?
- 4) What is the median annual total compensation for all executives at present?
- 5) What is your country-by-country financial report?

Thank for you the attention to this matter. We respectfully request that you answer us no later than November 12, 2018.

Sincerely,


Jan Schakowsky
Member of Congress


Mark Pocan
Member of Congress


Raúl M. Grijalva
Member of Congress

⁶ BAD MEDICINE: How GOP Tax Cuts Are Enriching Drug Companies, Leaving Workers & Patients Behind, April 2018, <https://americansfortaxfairness.org/wp-content/uploads/Pharma-Tax-Cut-Report-4.26.18-FINAL-.pdf>

⁷ *Id.*



Kathy Castor
Member of Congress



Steve Cohen
Member of Congress



Peter A. DeFazio
Member of Congress



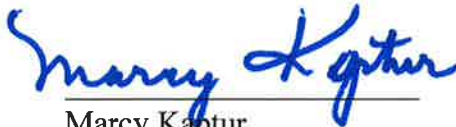
Rosa L. DeLauro
Member of Congress



Eleanor Holmes Norton
Member of Congress



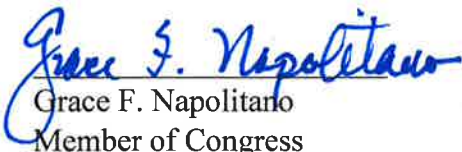
Pramila Jayapal
Member of Congress



Marcy Kaptur
Member of Congress



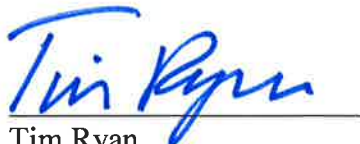
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Grace F. Napolitano
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