



**TESTIMONY IN SUPPORT OF SENATE BILL 357**

**Prescription Drug Affordability Board - Authority for Upper Payment Limits (Lowering Prescription Drug Costs for All Marylanders Now Act)**

Before the Senate Finance Committee

By Vincent DeMarco, President, Maryland Health Care For All! Coalition

February 6, 2025

Madam Chair, Mr. Vice-Chair, and Members of the Finance Committee, on behalf of the over 450 faith, community, labor, business and health care organizations which are part of our Maryland Health Care For All! Coalition, we strongly urge you to support SB 357. This legislation builds on the landmark Prescription Drug Affordability Board law you enacted in 2019 which created the nation's first Prescription Drug Affordability Board (PDAB) and gave it the authority, with the approval of the Legislative Policy Committee, to use upper payment limits to make high cost drugs more affordable for state and local governments in Maryland. SB 357 would expand the Board's authority to make high cost drugs more affordable for all Marylanders. Three states, Colorado, Minnesota and Washington State, have enacted legislation modeled on our 2019 law which gives their Prescription Drug Affordability Boards full authority to help everyone in their states afford high cost drugs.

On October 22, 2024, the Legislative Policy Committee approved the PDAB's plan to use upper payment limits to make high cost drugs more affordable for state and local governments. Now, after doing terrific work under the leadership of Chair Van Mitchell and Executive Director Dr. Andrew York, the PDAB is poised to use this authority to put upper payment limits on what state and local governments pay for at least two high cost prescription drugs, which will save these entities, and therefore Maryland taxpayers, millions of dollars. Though this is very important and landmark work, Marylanders need you to enact SB 357 so that those who cannot afford the life-saving drugs prescribed to them or have to give up other necessities in order to purchase them, or who are seeing high health insurance premiums due to the exorbitant cost of prescription drugs, also see the benefits of the PDAB's work.

As you know very well, drugs don't work if people can't afford them. As you can see from the attached poll conducted by respected pollster OpinionWorks, 45 percent of Maryland households have had trouble affording their necessary medications. As you have heard today this translates into people not taking the medications they need or rationing how much they take or depriving themselves of other necessities. In addition, we all pay because insurers pay an exorbitant amount for high cost drugs, with CareFirst BlueCross BlueShield stating that one third of their premium costs are because of high cost drug costs. Finally, governments and health officials often can't afford the necessary medicines they need to address overdoses or other public health problems because of the skyrocketing costs of naloxone, EpiPen's and other needed medications.



The drug corporations say that they charge these exorbitant prices in order to pay for necessary research. However, as the two attached reports and chart from Public Citizen make clear, the drug corporations spend many billions more on advertising and profits and other self-enriching expenditures than they do on research. And Marylanders understand this, as you can see in the attached poll by Gonzales Polls, Inc, showing that over 80 percent of Marylanders believe the drug corporations could make these high cost drugs more affordable if they spent less on advertising and profits.

As the OpinionWorks poll shows, over 80 percent of Marylanders support giving the Board the authority it needs to use upper payment limits to make high cost drugs more affordable for all Marylanders. That is also why our broad coalition (see attached logo flyer) and Maryland's local leaders urge you to enact SB 357. Attached is a letter from our state's local leaders expressing support for giving the PDAB full authority to help all Marylanders and you can view a video compilation of the local leader's support [linked here](#).

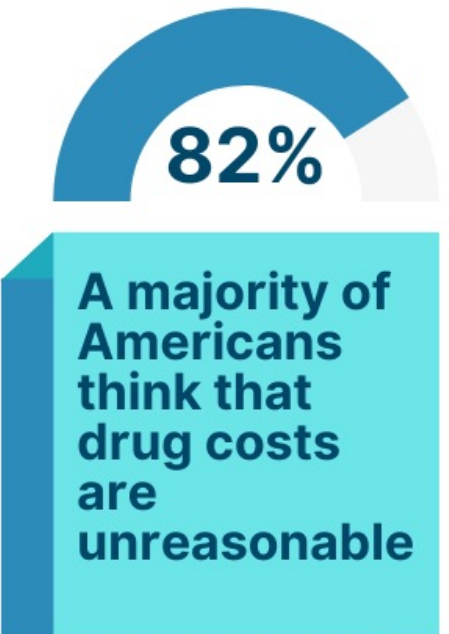
While we are pleased with the progress the PDAB has made so far, this legislation will give them the authority they need to help all Marylanders afford their high cost drugs. We thank Senators Dawn Gile and Brian Feldman for introducing this measure and we thank you, Madam Chair, and all the Members of this Committee for your leadership on this issue which has made our legislation a model for other states across the country. We strongly urge a favorable report on SB 357.

# Maryland Prescription Drug Affordability Coalition



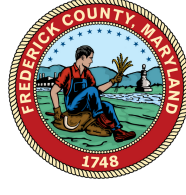
# Profits Over Patients

We've long heard the argument that drug corporations need to charge excessive prices in order to fund research and development, but an examination of their spending shows what they truly prioritize: maximizing profits.



PROTECT OUR CARE





Angela D. Alsobrooks  
County Executive

TO: Chair Mitchell, Prescription Drug Affordability Board Members, Council Chairs

Diana and Nicole, and Members of the Stakeholder Council

FROM: Prince George's County Executive Angela Alsobrooks, Howard County Executive Calvin Ball, Charles County Commissioner President Reuben B. Collins, Montgomery County Executive Marc Elrich, Frederick County Executive Jessica Fitzwater, Baltimore County Executive John Olszewski, Jr., Anne Arundel County Executive Steuart Pittman, and Baltimore City Mayor Brandon M. Scott

DATE: December 19, 2022

SUBJECT: Prescription Drug Affordability for Maryland's Local Governments

We the undersigned Maryland local elected leaders are writing to reiterate our strong support for Maryland's landmark Prescription Drug Affordability Board, the Stakeholder Council, and the important work you are all doing to address the issue of high-cost drugs. This is an issue that touches all corners of our state, and as such, the Maryland Association of Counties and many of us individually advocated for the enactment of the legislation to create this Board in 2019. We are all very pleased with the progress you have made and look forward to your future work to fully implement the law to ensure all Marylanders are able to afford the medicine they need.

As local leaders, we are especially interested in the Board's initial authority granted by the 2019 law, which gives you the authority to put upper payment limits on what state and local governments pay for high-cost drugs. As the cost of prescription drugs continues to escalate, we strongly urge you to use this authority as soon as possible. These costs hurt our ability to provide comprehensive health coverage for our employees and impact our budgets as we see more and more of the money we should be using to improve county services go to paying ever increasing drug costs.

We also urge you at the appropriate time to ask the General Assembly to broaden your authority to allow you to put upper payment limits on what all Marylanders pay for high-cost drugs. We will be there to back you up. Just as county budgets are hurt by high-cost drugs, so are Maryland families. As you know so well, drugs don't work if people can't afford them, and no one should be forced to choose between their medicine and other necessities, like rent and groceries. Marylanders from across the state joined us for a series of forums hosted in our counties with the Maryland Health Care For All! Coalition and AARP Maryland—there, we heard loud and clear from our constituents how high-cost drugs are hurting them and their families. Many of these stories are featured in the report the Maryland Health Care for All! Coalition has compiled summarizing these forums held this past Fall and in 2020.

We are very proud of Maryland's leadership role in making high-cost drugs more affordable and the fact that other states are following our lead. With your terrific leadership, Maryland can stay at the forefront on this life-saving issue.



## Farxiga

Maryland is working to support affordability through its Prescription Drug Affordability Board, while [advocates press for the expansion of this authority to help more residents](#). Among the drugs up for review by the PDAB is Farxiga (dapagliflozin). Farxiga is manufactured by AstraZeneca and is used to treat diabetes, heart failure, and chronic kidney disease.

Farxiga has brought in more than \$20 billion in revenue for AstraZeneca. As AstraZeneca reaped huge profits by charging Americans ten times more than it charges comparable countries, the company spent billions on self-enriching activities like executive compensation and dividends (a way publicly traded companies return cash to investors).

**AstraZeneca has generated over \$20.9 billion in sales revenue from Farxiga since its launch in 2014.**

- Revenues obtained by AstraZeneca through Farxiga sales are nearly **30 times** the median cost for research and development of a new drug [estimated by experts](#).

**AstraZeneca charges Americans the highest price in the world for Farxiga.**

- Farxiga's list price is \$582 for a 30-day supply — this is 10.8 times higher than the average price across comparable countries (\$54), according to a recent [analysis](#).

**AstraZeneca ripping us off is even more egregious considering significant taxpayer contributions to research prior to the approval of Farxiga, including [\\$437.3 million](#)<sup>1</sup> in NIH funding for basic and applied research.<sup>2</sup>**

**AstraZeneca uses predatory patenting tactics to expand monopoly protections over Farxiga. This staves off generic competition — a proven way to lower prices — keeping prices higher, longer.**

- [According to Public Citizen research](#), the patent protection for some of the more recent indications of Farxiga related to heart failure expires as late as 2040 — almost 14 years after the patent covering the drug substance expires and 26 years after the drug's initial approval.

**AstraZeneca spends huge sums on payouts to executives and shareholders, rather than R&D.**

- In 2023 alone, AstraZeneca spent \$4.5 billion paying dividends and maintaining its exorbitant executive compensation.

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<sup>1</sup> Zhou et al. identified PubMed publications related to the drug target or the drug and subsequently identified NIH grants associated with the publications. Basic research funding was totaled through the date of approval of a first-in-class product associated with that target (in the case of Farxiga and Jardiance (which both target SGLT2), the first-in-class drug approval was Invokana (canagliflozin) in 2013). Thus, the funding total applies to multiple drugs. See, [https://www.ineteconomics.org/uploads/papers/WP\\_219-Federal-spending-on-drugs-Ledley-et-al-final.pdf](https://www.ineteconomics.org/uploads/papers/WP_219-Federal-spending-on-drugs-Ledley-et-al-final.pdf)

<sup>2</sup> NIH support for biomedical research is largely focused on basic research (the foundational research on biological targets for drug action that drug development is based upon). A smaller proportion goes toward applied research (research associated with later-stage development of a drug). See, <https://www.bmj.com/content/367/bmj.l5766>



## Jardiance

Maryland is working to support affordability through its Prescription Drug Affordability Board (PDAB), while [advocates press for the expansion of this authority to help more residents](#). Among the drugs up for review by the PDAB is Jardiance (empagliflozin). Jardiance is sold by Boehringer Ingelheim and Eli Lilly and is used to treat diabetes and heart failure.

As Boehringer Ingelheim and Eli Lilly reaped huge profits by charging Americans over 11 times more than they charge comparable countries for Jardiance, Eli Lilly spent billions on self-enriching activities like executive compensation, stock buybacks (a practice where a company repurchases shares, thereby inflating stock prices and enriching shareholders—including executives often paid in stock), and dividends (another way publicly traded companies return cash to investors).

### **Boehringer Ingelheim and Eli Lilly have made billions from Jardiance.**

- Jardiance has generated **over \$26.8 billion in sales since its launch in 2014**.
- Revenues obtained through Jardiance sales are nearly **38 times** the median cost for research and development of a new drug [estimated by experts](#).

### **Boehringer Ingelheim and Eli Lilly charge Americans the highest price in the world for Jardiance.**

- Jardiance's list price is \$611 for a 30-day supply — this is 11.7 times higher than the average price across comparable countries (\$52), according to a recent [analysis](#).

**Boehringer Ingelheim and Eli Lilly ripping us off is even more egregious considering significant taxpayer contributions to research prior to the approval of Jardiance, including [\\$434.2 million](#)<sup>3</sup> in NIH funding for basic and applied research.<sup>4</sup>**

**Boehringer Ingelheim uses predatory patenting tactics to expand monopoly protections over Jardiance. This staves off generic competition — a proven way to lower prices — keeping prices higher, longer.**

- [According to Public Citizen research](#), Boehringer Ingelheim's patents covering methods for screening patients for use of empagliflozin can be exploited to exclude generics until as late as 2034 — an extra five years beyond the expiry of the drug compound patent and almost 20 years beyond the drug's initial approval.

**Eli Lilly<sup>5</sup> spends huge sums on payouts to executives and shareholders, rather than R&D.**

- In 2023 alone, Eli Lilly spent nearly \$6 billion enriching shareholders through stock buybacks and dividends, maintaining its exorbitant executive compensation, and advertising its products.
- Since 2017, Eli Lilly has spent an average of over \$1 billion on advertising each year. This is more than the [total retail sales for prescription drugs covered by Medicaid in Maryland in 2019](#).

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<sup>3</sup> Zhou et al. identified PubMed publications related to the drug target or the drug and subsequently identified NIH grants associated with the publications. Basic research funding was totaled through the date of approval of a first-in-class product associated with that target (in the case of Farxiga and Jardiance (which both target SGLT2), the first-in-class drug approval was Invokana (canagliflozin) in 2013). Thus, the funding total applies to multiple drugs. See, [https://www.ineteconomics.org/uploads/papers/WP\\_219-Federal-spending-on-drugs-Ledley-et-al-final.pdf](https://www.ineteconomics.org/uploads/papers/WP_219-Federal-spending-on-drugs-Ledley-et-al-final.pdf)

<sup>4</sup> NIH support for biomedical research is largely focused on basic research (the foundational research on biological targets for drug action that drug development is based upon). A smaller proportion goes toward applied research (research associated with later-stage development of a drug). See, <https://www.bmj.com/content/367/bmj.l5766>

<sup>5</sup> Eli Lilly and Boehringer Ingelheim commercialized Jardiance together, but the latter company is privately held. Thus, data on self-enriching activities is only available for Eli Lilly.

# PROFITS OVER PATIENTS

Jishian Ravinthiran

January 16, 2024

PROTECT  
OUR CARE



## ACKNOWLEDGMENTS

This report was written by Jishian Ravinthiran in Public Citizen’s Access to Medicine’s Program. Alan Zibel, Megan Whiteman, and Peter Maybarduk edited the report.

## ABOUT PUBLIC CITIZEN

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Protect Our Care is dedicated to making high-quality, affordable, and equitable health care a right, and not a privilege, for everyone in America. We educate the public, influence policy, support health care champions and hold politicians accountable.

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## Executive Summary

The federal and state governments are taking significant steps to deliver much-needed drug pricing relief to millions of Americans. Measures include a historic provision in the Inflation Reduction Act allowing Medicare to negotiate prices for select drugs, draft executive guidance to license generic competition on taxpayer funded drugs, and state Prescription Drug Affordability Boards with the power to limit expenditures on drugs. But as governments rise to the challenge of tackling the decades long problem of excessive drug prices, the pharmaceutical industry raises significant opposition to insulate its profiteering from popular measures. Chief among their claims is that regulating drug prices will reduce industry profits, and thus capacity to invest in the research and development of new medicines. But that claim is belied by these corporations' own expenditures on self-enriching activities, including stock buybacks, dividends to shareholders, and executive compensation, that far exceed their investments in innovation.

- The manufacturers of the first 10 drugs selected for Medicare price negotiation, in aggregate, spent \$10 billion more on self-enriching activities than on research and development in 2022.
- For manufacturers of the 10 drugs with the highest expenditures by Maryland payers, including Medicare, Medicaid, and certain commercial insurance plans, companies spent \$9 billion more on stock buybacks, dividends, and executive compensation than on research and development expenses in 2022.
- Executive compensation for the manufacturers of the drugs selected for Medicare price negotiation exceeded half a billion dollars in just 2022. The same is true for executive compensation for the manufacturers of the 10 costliest drugs in Maryland. Most of this compensation is keyed to stock prices, which incentivizes short-term measures to inflate share prices, such as stock buybacks, rather than long-term investments in researching and developing new drugs.

## Introduction

Price gouging on essential medicines harms the health of millions of Americans every year. In 2021, approximately 9.2 million Americans were unable to take medications as prescribed due to costs.<sup>1</sup> People with disabilities were three times more likely to be unable to take medications as prescribed due to these cost barriers.<sup>2</sup> Nearly one in four uninsured Americans skipped doses, took less medication, or delayed filling a prescription because of costs.<sup>3</sup> Data from 2023 shows that three in ten Americans have not taken their medications as prescribed due to costs, 82% of Americans say the cost of prescription drugs is unreasonable, and 73% say that the government is not doing enough to regulate drug prices.<sup>4</sup>

Considering this drug pricing crisis, the federal and state governments have taken significant steps to make high-cost drugs more affordable and deliver relief for patients everywhere. Several states, starting with Maryland in 2019, have established Prescription Drug Affordability Boards, which are charged with analyzing the excessive costs of prescription drugs and identifying solutions to medicine inaccessibility. Four of these states—Colorado, Maryland, Minnesota, and Washington—have empowered their Boards to set upper payment limits for the purchase of certain prescription drugs.<sup>5</sup> At the federal level, Congressional Democrats passed and President Biden signed into law the Inflation Reduction Act, which includes a provision allowing Medicare Part D to negotiate the price of select drugs for the first time in the program’s 20-year history.<sup>6</sup> The law also capped the out-of-pocket costs for insulin at \$35 per month for Medicare enrollees and annual out-of-pocket expenses for prescription drugs at \$2,000.<sup>7</sup> More recently, the Biden administration announced draft guidance that would empower federal agencies to license

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<sup>1</sup> Laryssa Mykyta, and Robin A. Cohen, Centers for Disease Control and Prevention, National Center for Health Statistics, *Characteristics of Adults Aged 18–64 Who Did Not Take Medication as Prescribed to Reduce Costs: United States, 2021*, NCHS DATA BRIEF NO. 470 (June 2023).

<sup>2</sup> *Id.* at 2.

<sup>3</sup> *Id.* at 3.

<sup>4</sup> Ashley Kirzinger, Alex Montero, Grace Sparks, Isabelle Valdes, & Liz Hamel, *Public Opinion Prescription Drugs and Their Prices*, KFF (Aug. 21, 2023), <https://www.kff.org/health-costs/poll-finding/public-opinion-on-prescription-drugs-and-their-prices/>.

<sup>5</sup> See e.g., CO. Senate Bill 21-175, Sec. 10-16-1407; Md. Code, Health-Gen. § 21-2C-14; Minn. Sess. L. 2023 Ch. 57, art. 2, Sec. 35; Rev. Code Wash. 70.405.050.

<sup>6</sup> The White House, *FACT SHEET: Biden-Harris Administration Announces First Ten Drugs Selected for Medicare Price Negotiation*, STATEMENTS & RELEASES (Aug. 29, 2023), <https://www.whitehouse.gov/briefing-room/statements-releases/2023/08/29/fact-sheet-biden-harris-administration-announces-first-ten-drugs-selected-for-medicare-price-negotiation/>.

<sup>7</sup> Centers for Medicare & Medicaid, *Anniversary of the Inflation Reduction Act: Update on CMS Implementation*, CMS.GOV (Aug. 16, 2023), <https://www.cms.gov/newsroom/fact-sheets/anniversary-inflation-reduction-act-update-cms-implementation>.

generic competition to make taxpayer-funded medicines more affordable where drug manufacturers price the medicine excessively.<sup>8</sup>

The pharmaceutical industry has been staunchly opposed to popular reforms designed to constrain their unreasonable profiteering on medicines. The industry has criticized Prescription Drug Affordability Boards, the Inflation Reduction Act's provisions on price negotiation, and the Biden administration's framework for licensing generic competition on taxpayer funded medicines, with most concerns being funneled into the claim that any attempts to rein in their price-gouging tactics will impact the research and development of new medicines.<sup>9</sup>

That claim is flawed for several reasons. First, researchers and the Congressional Budget Office conclude there is no connection between a drug's research and development cost and its future price.<sup>10</sup> Rather, the current price of drugs reflects what companies believe the market will bear in response to their monopolistic pricing power.<sup>11</sup> Second, compared to the rest of the globe, the United States is an outlier that does little to protect its residents from the unfair pricing power of drug companies,<sup>12</sup> and bringing American policy into alignment with those of other countries, including other high-income peers, will not destroy the incentive to innovate new medicines.

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<sup>8</sup> NIST Releases for Public Comment Draft Guidance on March-In Rights, <https://www.nist.gov/news-events/news/2023/12/nist-releases-public-comment-draft-guidance-march-rights> (last visited Dec. 12, 2023).

<sup>9</sup> See PhRMA, *States Can Help Patients Pay Less for Their Medicines*, STATE POLICIES AND ISSUES, <https://phrma.org/en/States> (last visited Jan. 11, 2023); PhRMA, INFLATION REDUCTION ACT'S UNINTENDED CONSEQUENCES, [https://phrma.org/inflation-reduction-act?utm\\_campaign=2024-q1-pri-v6&utm\\_medium=pai\\_srh\\_cpc-ggl-ADF&utm\\_source=ggl&utm\\_content=clk-pat-v6-v6-v6-all-pai\\_srh\\_cpc-ggl-ADF-IRAEvergreenSearchWCNational1-evg-v6-v6-lrm-soc\\_txt-v6-vra-ADF&utm\\_term=inflation%20reduction%20act&utm\\_campaign=&utm\\_source=adwords&utm\\_medium=ppc&hsa\\_acc=8523309176&hsa\\_cam=20882819512&hsa\\_grp=158617381844&hsa\\_ad=685220095153&hsa\\_src=g&hsa\\_tgt=kw-1705916798609&hsa\\_kw=inflation%20reduction%20act&hsa\\_mt=b&hsa\\_net=adwords&hsa\\_ver=3&gad\\_source=1&gclid=Cj0KCQiAwP6sBhDAARIsAPfK\\_wZ3PhDU-6cvBxNUI9jVXtfl-nZch3LOEQIJQA2j\\_rY2LRRBqHdL7fQaAkKjEALw\\_wcB](https://phrma.org/inflation-reduction-act?utm_campaign=2024-q1-pri-v6&utm_medium=pai_srh_cpc-ggl-ADF&utm_source=ggl&utm_content=clk-pat-v6-v6-v6-all-pai_srh_cpc-ggl-ADF-IRAEvergreenSearchWCNational1-evg-v6-v6-lrm-soc_txt-v6-vra-ADF&utm_term=inflation%20reduction%20act&utm_campaign=&utm_source=adwords&utm_medium=ppc&hsa_acc=8523309176&hsa_cam=20882819512&hsa_grp=158617381844&hsa_ad=685220095153&hsa_src=g&hsa_tgt=kw-1705916798609&hsa_kw=inflation%20reduction%20act&hsa_mt=b&hsa_net=adwords&hsa_ver=3&gad_source=1&gclid=Cj0KCQiAwP6sBhDAARIsAPfK_wZ3PhDU-6cvBxNUI9jVXtfl-nZch3LOEQIJQA2j_rY2LRRBqHdL7fQaAkKjEALw_wcB) (last visited Jan. 11, 2024); PhRMA Statement on Proposed March-In Framework, PhRMA (Dec. 6, 2023), <https://phrma.org/resource-center/Topics/Access-to-Medicines/PhRMA-Statement-on-Proposed-March-In-Framework>.

<sup>10</sup> CONGRESSIONAL BUDGET OFFICE, RESEARCH AND DEVELOPMENT IN THE PHARMACEUTICAL INDUSTRY (Aug. 2021) ("In CBO's assessment, current R&D spending does not influence the future prices of the drugs that result from that spending."); Aaron Kesselheim, Jerry Avorn, & Ameet Sarpatwari, *The High Cost of Prescription Drugs in the United States: Origins and Prospects for Reform*, 316 JAMA NETWORK 858 (2016); Vinay Prasad, Kevin De Jesus, Sham Mailankody, *The high price of anticancer drugs: origins, implications, barriers, solutions*, 14 NAT. REV. CLIN. ONC. 381 (2016).

<sup>11</sup> Aaron Kesselheim, Jerry Avorn, & Ameet Sarpatwari, *The High Cost of Prescription Drugs in the United States: Origins and Prospects for Reform*, 316 JAMA NETWORK 858 (2016).

<sup>12</sup> Amy Kapczynski, *The Political Economy of Market Power in Pharmaceuticals*, 48 J. HEALTH POL., POL'Y & L. 215 (2023); S. Vincent Rajkumar, *The high cost of prescription drugs: causes and solutions*, 10 BLOOD & CANCER J. 381 (2020).

Finally, as this report will emphasize, pharmaceutical companies spend in excess on executive compensation, share buybacks, and dividends which enrich their shareholders, cutting against the industry's mistaken impression that it is strapped for resources to research and develop new medicines.<sup>13</sup> Stock buybacks enrich investors by reducing the number of outstanding shares in a company. The fewer shares there are in investors' hands, the more each share is worth. When a company buys back and cancels 10% of its shares, that makes each share still held by an investor or insider rise in value, as it represents a greater claim on the company's earnings. Spending money this way allows companies to enrich shareholders silently, as well as the executives often paid in stock.<sup>14</sup> Dividends are another way of returning cash to investors. Each fiscal quarter, publicly traded companies typically issue fixed dividends to shareholders that rise when business is good and shrink or get suspended when business is bad.<sup>15</sup> Drug companies spend billions on stock buybacks and dividends to shareholders each year.<sup>16</sup>

A recent report by Protect Our Care shows that the drug companies marketing the drugs selected for the first round of Medicare price negotiation under the Inflation Reduction Act spent approximately \$20 billion on stock buybacks and \$54 billion on dividends to shareholders in 2023 as of November.<sup>17</sup> These excessive expenditures on share buybacks and dividends were also highlighted in a 2021 Drug Pricing Report from the House Oversight & Reform Committee, which found the industry argument "that permitting Medicare to negotiate drug prices would stifle innovation is not supported by available evidence or findings from the Committee's multi-year investigation into the pharmaceutical industry."<sup>18</sup> The investigation found that 14 large pharmaceutical companies spent \$55 billion more on stock buybacks and dividends compared to research and development expenditures between 2016 and 2020.<sup>19</sup>

This report by Public Citizen and Protect Our Care highlights those findings and recenters the lavish expenditures of the manufacturers of the first 10 prescription drugs selected for Medicare price negotiations as industry renews claims that drug pricing relief will harm innovation. This report also examines the self-enriching activities of the manufacturers of

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<sup>13</sup> Amy Kapczynski, *The Political Economy of Market Power in Pharmaceuticals*, 48 J. HEALTH POL., POL'Y & L. 215, 230 (2023) (citing Aaron Kesselheim & Jeffrey Avorn, *Letting the Government Negotiate Drug Prices Won't Hurt Innovation*, WASH. POST (Sept. 27, 2021), <https://www.washingtonpost.com/outlook/2021/09/22/drug-pricing-negotiation-biden-bill/>); U.S. HOUSE OF REPRESENTATIVES' COMMITTEE ON OVERSIGHT & REFORM, DRUG PRICING INVESTIGATION: INDUSTRY SPENDING ON BUYBACKS, DIVIDENDS, & EXECUTIVE COMPENSATION (July 2021).

<sup>14</sup> PUBLIC CITIZEN, BAILOUT WATCH, FRIENDS OF THE EARTH, BIG OIL'S WARTIME BONUS 2 (2022).

<sup>15</sup> *Id.* at 8.

<sup>16</sup> PROTECT OUR CARE, GREED WATCH: BIG COMPANIES CONTINUE TO BRING IN BILLIONS WHILE AMERICANS STRUGGLE TO AFFORD SKYROCKETING PRICES 4 (Nov. 2023), [GREED-WATCH-Big-Drug-Companies-Continue-To-Bring-In-Hundreds-of-Billions-While-Americans-Struggle-To-Afford-Skyrocketing-Prices.pdf](https://www.protectourcare.org/wp-content/uploads/2023/11/Greed-Watch-Big-Drug-Companies-Continue-To-Bring-In-Hundreds-of-Billions-While-Americans-Struggle-To-Afford-Skyrocketing-Prices.pdf) ([protectourcare.org](https://www.protectourcare.org)).

<sup>17</sup> *Id.*

<sup>18</sup> U.S. HOUSE OF REPRESENTATIVES' COMMITTEE ON OVERSIGHT & REFORM, DRUG PRICING INVESTIGATION: INDUSTRY SPENDING ON BUYBACKS, DIVIDENDS, & EXECUTIVE COMPENSATION 11 (JULY 2021).

<sup>19</sup> *Id.* at 3.

the 10 drugs with the highest expenditures by payers in Maryland, which was the first state to establish a Prescription Drug Affordability Board. As other states consider passing similar legislation to create Prescription Drug Affordability Boards,<sup>20</sup> and as advocates in Maryland press for the expansion of its Board's upper payment limit authority to help more residents,<sup>21</sup> this report shows that the expenditures for the costliest drugs at the state level mirror the excessive spending on self-enrichment at the national level. Ultimately, the data shows these companies are not strapped for resources: they spend billions more on executive compensation, stock buybacks, and dividends to shareholders than research and development activities.

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<sup>20</sup> Drew Gattine & Jennifer Reck, *State House Wrap-Up: States Continue to Tackle High Prices in 2023 Session*, NAT. ACAD. STATE HEALTH POL'Y BLOG (Oct. 30, 2023), <https://nashp.org/state-house-wrap-up-states-continue-to-tackle-high-drug-prices-in-2023-session/>.

<sup>21</sup> Daniel J. Brown, *Health care legislation preview: Maryland advocates want to focus on access, patients in 2024 session*, MARYLAND MATTERS (Jan. 8, 2024), <https://www.marylandmatters.org/2024/01/08/health-care-legislation-preview-maryland-advocates-want-to-focus-on-access-patients-in-2024-session/>.

## Manufacturers of the Drugs Selected for Medicare Price Negotiation Spent Billions More on Dividends, Stock Buybacks, and Executive Compensation than Research & Development

In August 2023, the Biden administration announced the first 10 drugs selected for Medicare price negotiation under the Inflation Reduction Act.<sup>22</sup> Between June 2022 and May 2023, these ten drugs cost Medicare Part D \$50.5 billion.<sup>23</sup> The manufacturers of the drugs and relevant financial information obtained from Form 10-K, 20-F, and proxy statement filings with the Securities Exchange Commission (SEC), and publicly available accounting statements are listed in Table 1. Detailed methodology for all tables is contained in the Appendix.

The manufacturers of the drugs selected for Medicare price negotiation spent \$10 billion more on stock buybacks, dividends, and executive compensation than research and development in 2022. If the \$12 billion in advertising expenditures are also included to show the significant resources at these companies' disposal, manufacturers of drugs selected for Medicare price negotiation spent \$22 billion more compared to research and development expenses.<sup>24</sup>

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<sup>22</sup> *HHS Selects the First Drugs for Medicare Drug Price Negotiation*, HHS.GOV (Aug. 23, 2023), <https://www.hhs.gov/about/news/2023/08/29/hhs-selects-the-first-drugs-for-medicare-drug-price-negotiation.html>.

<sup>23</sup> *Id.*

<sup>24</sup> Manufacturers of the first drugs selected for Medicare negotiation spent 12.241 on advertising according to disclosures in Form 10-K filings with the SEC.

Table 1: Spending by Manufacturers of Drugs Selected for Medicare Price Negotiation (in dollars)

Drug Company	Drug Name	Dividends	Stock Buybacks	Exec. Comp.	Dividends, Stock Buybacks, & Exec. Comp.	R&D
AbbVie	Imbruvica	10.043 billion	1.487 billion	71.91 million	<b>11.602 billion</b>	<b>6.510 billion</b>
Amgen	Enbrel	4.196 billion	6.360 billion	50.25 million	<b>10.606 billion</b>	<b>4.434 billion</b>
AstraZeneca	Farxiga	4.364 billion	--	22.27 million	<b>4.386 billion</b>	<b>9.762 billion</b>
BMS	Eliquis	4.634 billion	8.001 billion	48.04 million	<b>12.683 billion</b>	<b>9.509 billion</b>
Pfizer	Eliquis	8.983 billion	2.000 billion	107.23 million	<b>11.090 billion</b>	<b>11.428 billion</b>
JNJ	Stelara, Xarelto, Imbruvica	11.682 billion	6.035 billion	45.19 million	<b>17.762 billion</b>	<b>14.603 billion</b>
Bayer AG	Xarelto	2.087 billion	--	23.26 million	<b>2.111 billion</b>	<b>6.911 billion</b>
Merck	Januvia	7.012 billion	--	60.46 million	<b>7.072 billion</b>	<b>13.548 billion</b>
Novartis	Entresto	7.506 billion	10.652 billion	51.75 million	<b>18.210 billion</b>	<b>9.996 billion</b>
Novo Nordisk	Fiasp/ Novolog	3.575 billion	3.403 billion	36.84 million	<b>7.016 billion</b>	<b>3.398 billion</b>
Eli Lilly	Jardiance	3.536 billion	1.500 billion	44.48 million	<b>5.080 billion</b>	<b>7.191 billion</b>
Total		67.619 billion	39.438 billion	561.68 million	<b>107.619 billion</b>	<b>97.290 billion</b>

As shown in Table 2, executive compensation for these manufacturers exceeded half a billion dollars in just one year. More than half of executive compensation was based on equity awards, thereby directly linking executive pay to share price. The payment structure incentivizes share repurchases to inflate stock values, which increases executive compensation in the short-term.

Table 2: Executive Compensation for the Manufacturers of Drugs Selected for Medicare Price Negotiation (in dollars)

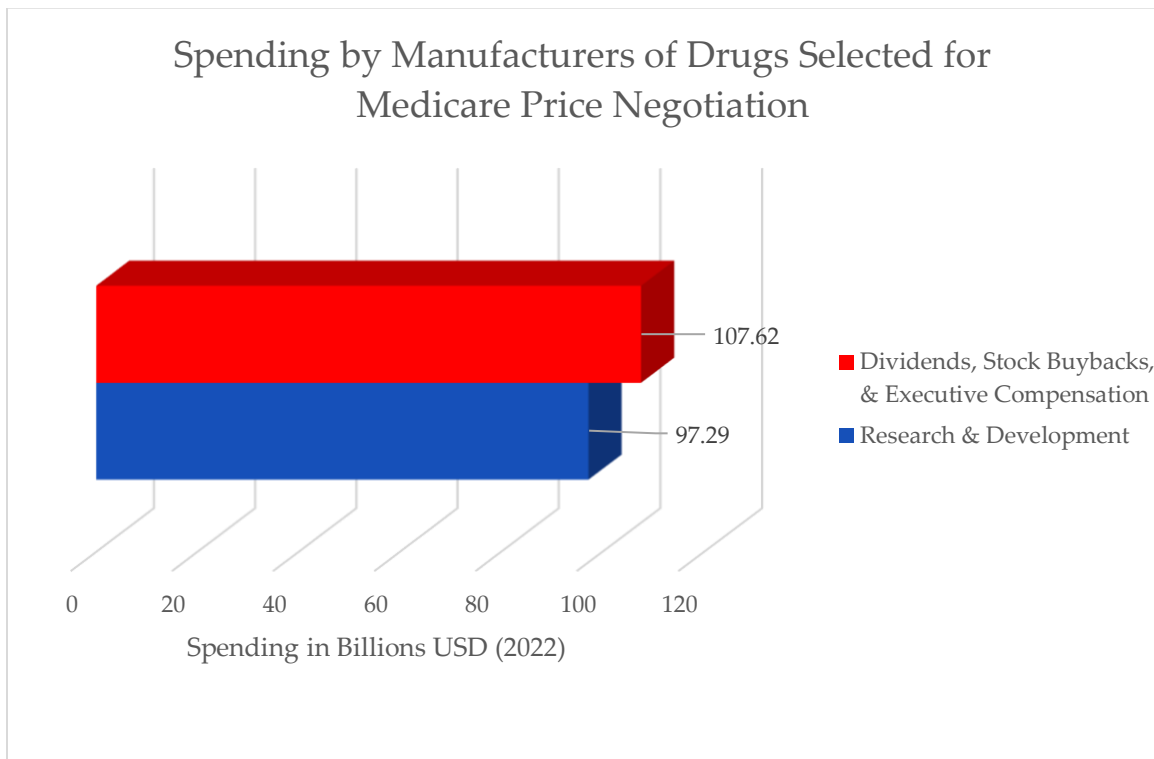
Drug Company	Drug(s) selected for Negotiation	Number of Corporate Officers	Executive Base Pay	Equity-Based Awards	Total Compensation
AbbVie	Imbruvica	6	7,041,609	46,525,585	71,913,444
Amgen	Enbrel	5	6,051,861	34,111,067	50,245,442
AstraZeneca	Farxiga	2	2,765,721	13,000,000	22,266,338
BMS	Eliquis	5	6,055,263	31,506,942	48,038,921
Pfizer	Eliquis	6	7,768,166	48,970,106	107,228,894
JNJ	Stelara, Xarelto, Imbruvica	5	5,409,809	32,034,706	45,186,672
Bayer AG	Xarelto	6	6,661,409	4,413,249	23,263,933
Merck	Januvia	6	6,063,476	39,967,603	60,463,107
Novartis	Entresto	16	11,423,342	21,563,333	51,753,687
Novo Nordisk	Fiasp/Novolog	10 <sup>25</sup>	11,374,876	14,893,316	36,837,643
Eli Lilly	Jardiance	5	5,258,655	31,193,250	44,477,379
<b>Total</b>		<b>72</b>	<b>75,874,187</b>	<b>318,179,157</b>	<b>561,675,460</b>

In sum, these figures suggest that these drug corporations have ample resources to invest in research and development, which belies industry claims that the Medicare price negotiation provisions will stifle innovation.

<sup>25</sup> According to Novo Nordisk's Remuneration Report 2022, there is a category for non-registered executives, which includes 3 named persons. It remains unclear if other individuals are included in this category as well.



Figure 1: Spending by Manufacturers of Drugs Selected for Medicare Price Negotiation (in Billions of Dollars)



## Manufacturers of the Costliest Drugs in Maryland Spent Billions More on Dividends, Stock Buybacks, and Executive Compensation than Research & Development

A similar pattern of corporate enrichment emerges for the 10 costliest drugs in Maryland. In 2022, Maryland's Prescription Drug Affordability Board published a report that detailed the 10 drugs payers, including Medicare, Medicaid, and certain commercial insurance plans, spent the most on in 2019.<sup>26</sup> The manufacturers of those drugs and their respective spending on dividends, stock buybacks, executive compensation, and research and development are reported in Table 3 using securities filings and publicly available statements. These drug corporations spent \$9 billion more on share repurchases, dividends to shareholders, and executive compensation than on research and development in 2022. When the \$10 billion in advertising expenditures are included to illustrate the lack of resource constraints facing these companies, pharmaceutical manufacturers of the 10 costliest drugs in Maryland spent \$19 billion more compared to research and development expenses.<sup>27</sup>

<sup>26</sup> MARYLAND PRESCRIPTION DRUG AFFORDABILITY BOARD, SECTION 21-2C-09(c) (2022) ANNUAL COST REVIEW REPORT 7 (Dec. 31, 2022).

<sup>27</sup> Manufacturers of the 10 costliest drugs in Maryland spent 10.032 billion on advertising expenses in 2022 according to disclosures in Form 10-K filings with the SEC.

Table 3: Spending by the Manufacturers of the Costliest Drugs in Maryland (in dollars)

Drug Company	Drug Name	Dividends	Stock Buybacks	Exec. Comp.	Dividends, Stock Buybacks, & Executive Compensation	R&D
AbbVie	Humira	10.043 billion	1.487 billion	71.91 million	<b>11.602 billion</b>	<b>6.510 billion</b>
Gilead	Biktarvy, Genvoya	3.709 billion	1.396 billion	53.12 million	<b>5.158 billion</b>	<b>4.977 billion</b>
BMS	Eliquis	4.634 billion	8.001 billion	48.04 million	<b>12.683 billion</b>	<b>9.509 billion</b>
GSK	Triumeq <sup>28</sup>	4.275 billion	--	25.85 million	<b>4.301 billion</b>	<b>6.767 billion</b>
Pfizer	Triumeq, Eliquis	8.983 billion	2.000 billion	107.23 million	<b>11.090 billion</b>	<b>11.428 billion</b>
Shionogi <sup>29</sup>	Triumeq	.275 billion	.377 billion	3.93 million	<b>.656 billion</b>	<b>.569 billion</b>
Biogen	Tecfidera	--	.750 billion	86.51 million	<b>0.837 billion</b>	<b>2.231 billion</b>
Eli Lilly	Trulicity	3.536 billion	1.500 billion	44.48 million	<b>5.080 billion</b>	<b>7.191 billion</b>
JNJ	Stelara	11.682 billion	6.035 billion	45.19 million	<b>17.762 billion</b>	<b>14.603 billion</b>
Novo Nordisk	Fiasp/ Novolog	3.575 billion	3.403 billion	36.84 million	<b>7.016 billion</b>	<b>3.398 billion</b>
<b>Total</b>		<b>50.712 billion</b>	<b>24.949 billion</b>	<b>523.09 million</b>	<b>76.185 billion</b>	<b>67.183 billion</b>

<sup>28</sup> Triumeq is marketed by Viiv Healthcare, which is a joint venture between Pfizer, GSK, and Shionogi.

<sup>29</sup> Shionogi is a Japanese company that operates on a fiscal year from April 1, 2022 through March 31, 2023. Instead, data for this company on stock buybacks, dividends, and research and development was taken for April 1, 2022 through December 31, 2022 (9 months). However, executive compensation figures are only available on a yearly basis, so that information is taken from the 2022 report spanning April 1, 2022 through March 31, 2023.

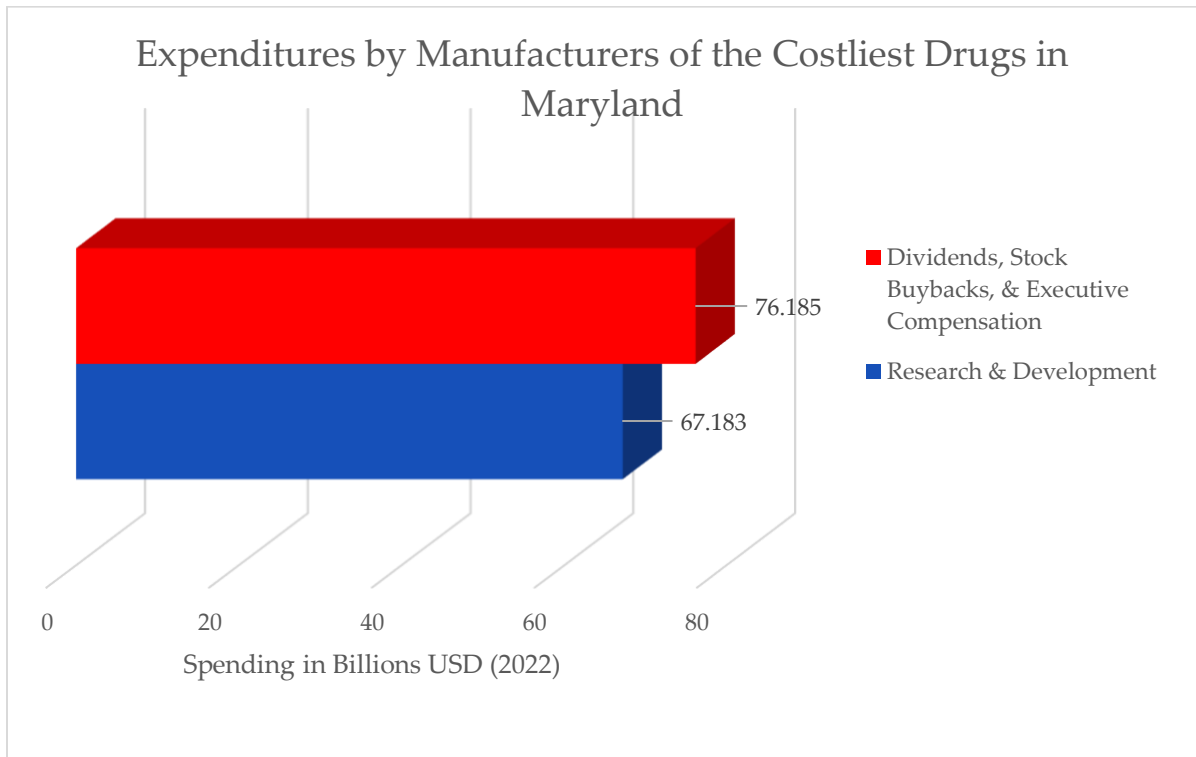
Like the manufacturers of the drugs selected for Medicare price negotiation, manufacturers of the ten costliest drugs in Maryland spent over half a billion dollars on executive compensation in just 2022 (see Table 4). For these companies, 60% of executive pay was based on equity awards, helping drive corporate investment in short-term measures to inflate stock values, such as stock buybacks, as opposed to long-term investments in research and development.

Table 4: Executive Compensation for the Manufacturers of the Costliest Drugs in Maryland (in dollars)

Drug Company	Drug Name	Number of Officers	Base Pay	Equity-Based Compensation	Total Compensation
AbbVie	Humira	6	7,041,609	46,525,585	<b>71,913,444</b>
Gilead	Biktarvy, Genvoya	5	5,244,613	34,198,123	<b>53,120,567</b>
BMS	Eliquis	5	6,055,263	31,506,942	<b>48,038,921</b>
GSK	Triumeq	3	4,324,291	12,208,385	<b>25,850,801</b>
Pfizer	Triumeq	6	7,768,166	48,970,106	<b>107,228,894</b>
Shionogi	Triumeq	5	1,574,695	958,510	<b>3,925,327</b>
Biogen	Tecfidera	7	5,184,996	66,506,517	<b>86,506,118</b>
Eli Lilly	Trulicity	5	5,258,655	31,193,250	<b>44,477,379</b>
JNJ	Stelara	5	5,409,809	32,034,706	<b>45,186,672</b>
Novo Nordisk	Fiasp/Novolog	10	11,374,876	14,893,316	<b>36,837,643</b>
<b>Total</b>		<b>57</b>	<b>59,236,974</b>	<b>318,995,440</b>	<b>523,085,767</b>

In sum, establishing state Prescription Drug Affordability Boards with the authority to limit the price of drug transactions or expanding these boards' authority to deliver relief to more residents does not constrain industry capacity to invest in drug innovation. Drug companies of the costliest drugs in states, which are often the manufacturers of the costliest drugs nationally, have significant resources to invest in research and development.

Figure 2: Spending by Manufacturers of the Costliest Drugs in Maryland (in Billions of Dollars)



## Conclusion

Supermajorities of Americans believe that drug prices are unreasonable and that the government is doing too little to protect its residents from their excessive costs. As federal and state governments rise to the occasion and deliver relief from the price-gouging of their constituents, it is expected that the pharmaceutical industry will raise strong opposition to these efforts to preserve their profiteering. Most commonly, opposition to popular relief centers the claim that reducing their profits in any manner will constrain their resources to invest in new medicines.

As experts, advocates, scholars, and government oversight institutions have reiterated for years, those claims are belied by the lavish expenditures of these companies on activities to enrich their shareholders and executives, which outweigh their investment in the innovation of new drugs. Indeed, this rings true for the corporations manufacturing the first drugs selected for Medicare price negotiation and the costliest drugs in Maryland, with billions spent in excess of research and development expenses on dividends, stock buybacks, and executive compensation. As such, there is no necessary relationship between drug pricing relief for millions and harming resources for innovation, and arguments to the contrary must be contested wherever they abound.

## Appendix: Methodology for Obtaining Financial Figures

**Table 1: Spending by Manufacturers of Drugs Selected for Medicare Price Negotiation (in dollars)**

Data was taken from the latest annual SEC filings for Fiscal Year 2022 of all U.S.-based companies. Advertising figures were taken from descriptive statements offered in these SEC filings.<sup>30</sup> Dividend and stock repurchase figures were taken from Consolidated Cash Flow Statements.<sup>31</sup> For two companies, there was a discrepancy between descriptive statements as to share repurchases in the SEC filings versus information in the cash flow statements on the purchases of treasury stock.<sup>32</sup> For consistency, this report uses the figures reported in the cash flow statements. Research and development figures were taken as reported in Consolidated Income/Earning Statements.<sup>33</sup> Foreign corporations AstraZeneca & Novartis filed Form 20-F with the SEC disclosing the instant data in similar formats, with the exception of advertising figures which do not appear to be descriptively reported.<sup>34</sup>

Research and development, stock repurchase, and dividend figures for Novo Nordisk were obtained from publicly available Income and Cash Flow statements in annual reports.<sup>35</sup> A similar approach was used for Bayer AG, a German company: this data was taken from its publicly available annual report for 2022.<sup>36</sup>

Executive compensation data was taken from the latest proxy statements filed with the SEC (Fiscal Year 2022) of all U.S.-based companies.<sup>37</sup> Figures on executive compensation were obtained from the Summary Compensation Table, which provides a total figure combining base salary, equity-based compensation, non-equity compensation according to the company's incentive plan, appreciation in pension value, deferred compensation, and "other compensation," which includes the cost of providing corporate travel, automobiles, and financial planning services.<sup>38</sup>

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<sup>30</sup> See e.g., AbbVie 2022 Form 10-K, at 57.

<sup>31</sup> See e.g., AbbVie 2022 Form 10-K, at 54.

<sup>32</sup> AbbVie describes that it repurchased \$1.1 billion in stocks for 2022, but its cash flow statement shows it expended \$1.487 billion on the purchase of treasury stock. Compare AbbVie 2022 Form 10-K, at 42 to AbbVie Form 10-K, at 54. Novartis described that it spent \$10.8 billion on share repurchases, but its cash flow statement shows that it spent \$10.652 billion on the acquisition of treasury stock. Compare Novartis 2022 Form 20-F, at 79 to Novartis 2022 Form 20-F, at F-5. These discrepancies do not affect the findings of this report.

<sup>33</sup> See e.g., AbbVie 2022 Form 10-K, at 50.

<sup>34</sup> AstraZeneca PLC, 2022 Form 20-F, at F-2, F-5, F-46 ("No share repurchases have been made since 2012"); Novartis, 2022 Form 20-F, at F-1, F-4,

<sup>35</sup> NOVO NORDISK, ANNUAL REPORT 2022 54-55 (2023).

<sup>36</sup> BAYER ANNUAL REPORT 2022 2, 87, 90-91, 150 (2023).

<sup>37</sup> See e.g., AbbVie, 2023 Proxy Statement, at 51.

<sup>38</sup> *Id.*

Foreign corporation AstraZeneca filed Form 20-F with the SEC, which incorporates by reference certain pages detailing remuneration from its annual report.<sup>39</sup> Novartis disclosed compensation figures for its Executive Committee in Form 20-F filed with the SEC.<sup>40</sup> Novo Nordisk disclosed executive compensation in its annual Remuneration Report.<sup>41</sup> Bayer AG included its executive compensation figures in its annual report.<sup>42</sup>

Data in foreign currencies were converted to U.S. dollars using the yearly average exchange rates for 2022 posted on the Internal Revenue Service’s website.<sup>43</sup>

**Table 2: Executive Compensation for the Manufacturers of Drugs Selected for Medicare Price Negotiation (in dollars)**

Executive compensation data was obtained using the approach outlined for Table 1. For U.S. based companies, stock-based and option-based awards were aggregated from the Summary Compensation Table to establish equity-based compensation for executives.<sup>44</sup> Foreign corporations often did not detail equity-based compensation in the same manner. They disclosed equity-based compensation in a category termed long-term incentive programs/awards.<sup>45</sup> Base salary was disclosed in a standard manner across companies.<sup>46</sup>

Again, data in foreign currencies were converted to U.S. dollars using the yearly average exchange rates for 2022 posted on the Internal Revenue Service’s website.<sup>47</sup>

**Table 3: Spending by the Manufacturers of the Costliest Drugs in Maryland (in dollars)**

Research and development, stock buybacks, dividend payments, and total executive compensation figures were obtained using the same approach from Table 1. The following manufacturers of the drugs selected for Medicare price negotiation also appeared on the list of manufacturers of the 10 costliest drugs in Maryland: AbbVie, Bristol Myers Squibb, Pfizer, Eli Lilly, Johnson & Johnson, and Novo Nordisk. Therefore, the same data was used from Table 1.

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<sup>39</sup> AstraZeneca, 2022 Form 20-F at 40; ASTRAZENECA ANNUAL REPORT AND FORM 20-F INFORMATION 2022 111 (2023).

<sup>40</sup> Novartis, 2022 Form 20-F, at 105.

<sup>41</sup> NOVO NORDISK, REMUNERATION REPORT 2022 12 (2023).

<sup>42</sup> BAYER ANNUAL REPORT 2022 280-81 (2023).

<sup>43</sup> *Yearly Average Currency Exchange Rates*, IRS.GOV, <https://www.irs.gov/individuals/international-taxpayers/yearly-average-currency-exchange-rates> (last visited Jan. 8, 2023).

<sup>44</sup> See e.g., AbbVie, 2023 Proxy Statement, at 51.

<sup>45</sup> ASTRAZENECA ANNUAL REPORT AND FORM 20-F INFORMATION 2022 111 (2023); BAYER ANNUAL REPORT 2022 280-81 (2023); NOVO NORDISK, REMUNERATION REPORT 2022 12-14 (2023).

<sup>46</sup> See e.g., AbbVie, 2023 Proxy Statement, at 51; ASTRAZENECA ANNUAL REPORT AND FORM 20-F INFORMATION 2022 111 (2023); BAYER ANNUAL REPORT 2022 280-81 (2023); NOVO NORDISK, REMUNERATION REPORT 2022 12 (2023).

<sup>47</sup> *Yearly Average Currency Exchange Rates*, IRS.GOV, <https://www.irs.gov/individuals/international-taxpayers/yearly-average-currency-exchange-rates> (last visited Jan. 8, 2023).

Gilead and Biogen’s data on stock repurchases, dividends, and research and development figures were obtained from Consolidated Cash Flow Statements and Income/Earning Statements in their 2022 Form 10-K filing with the SEC.<sup>48</sup> Advertising figures for these companies were taken from the descriptive statements within these filings.<sup>49</sup> GSK filed Form 20-F with the SEC disclosing data on research and development, stock repurchases, and dividends.<sup>50</sup> Shionogi is a Japanese company that operates on a fiscal year from April 1, 2022, through March 31, 2023. To examine figures from 2022, data for research and development, stock repurchases, and dividends was taken from its third quarter report covering April 1, 2022, through December 31, 2022.<sup>51</sup>

Executive compensation figures for Gilead and Biogen were disclosed in their proxy statement filings with the SEC.<sup>52</sup> For GSK, this data was obtained from its annual report incorporated by reference in its Form 20-F filing with the SEC.<sup>53</sup> Shionogi discloses executive compensation according to its fiscal calendar, so the latest disclosure covering Fiscal Year 2022 covered April 1, 2022, through March 31, 2023.<sup>54</sup>

Data in foreign currencies were converted to U.S. dollars using the yearly average exchange rates for 2022 posted on the Internal Revenue Service’s website.<sup>55</sup>

**Table 4: Executive Compensation for the Manufacturers of the Costliest Drugs in Maryland (in dollars)**

Executive compensation data was obtained using the approach outlined for Table 3. The following manufacturers of the drugs selected for Medicare price negotiation also appeared on the list of manufacturers of the 10 costliest drugs in Maryland, so their executive compensation figures from Table 2 were used: AbbVie, Bristol Myers Squibb, Pfizer, Eli Lilly, Johnson & Johnson, and Novo Nordisk.

Again, for U.S.-based companies, stock-based and option-based awards were aggregated to determine equity-based compensation for executives.<sup>56</sup> Equity-based compensation fell under the category of long-term incentive awards for GSK executives.<sup>57</sup> Shionogi disclosed

<sup>48</sup> See Gilead, 2022 Form 10-K, at 49, 52; Biogen 2022 Form 10-K, at F-2, F-5.

<sup>49</sup> See Gilead, 2022 Form 10-K, at 55; Biogen 2022 Form 10-K, at F-21.

<sup>50</sup> See GSK, 2022 Form 20-F, at 16, 34-35.

<sup>51</sup> See SHIONOGI, CONSOLIDATED FINANCIAL RESULTS FOR THE THIRD QUARTER FISCAL YEAR 2022 (IFRS) 4,10 (Jan. 30, 2023).

<sup>52</sup> See Gilead, Schedule 14A: 2023 Notice of Annual Meeting and Proxy Statement, at 69; Biogen, Schedule 14A: 2023 Annual Notice of Stockholders and Proxy Statement, at 56.

<sup>53</sup> See GSK, 2022 Form 20-F, at 51; GSK ANNUAL REPORT 2022 136 (2023).

<sup>54</sup> See Shionogi, *Chapter 3: Mechanisms Supporting SHIONOGI’s Growth*, from INTEGRATED REPORT 2023, at 93.

<sup>55</sup> *Yearly Average Currency Exchange Rates*, IRS.GOV, <https://www.irs.gov/individuals/international-taxpayers/yearly-average-currency-exchange-rates> (last visited Jan. 8, 2023).

<sup>56</sup> See Gilead, Schedule 14A: 2023 Notice of Annual Meeting and Proxy Statement, at 69; Biogen, Schedule 14A: 2023 Annual Notice of Stockholders and Proxy Statement, at 56.

<sup>57</sup> GSK ANNUAL REPORT 2022 136, 142 (2023).

stock-based compensation under a category termed “non-monetary remuneration.”<sup>58</sup> Base salary data was disclosed in a standard manner across companies.<sup>59</sup>

Data in foreign currencies were converted to U.S. dollars using the yearly average exchange rates for 2022 posted on the Internal Revenue Service’s website.<sup>60</sup>

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<sup>58</sup> See Shionogi, *Chapter 3: Mechanisms Supporting SHIONOGI’s Growth*, from INTEGRATED REPORT 2023, at 93.

<sup>59</sup> Gilead, Schedule 14A: 2023 Notice of Annual Meeting and Proxy Statement, at 69; Biogen, Schedule 14A: 2023 Annual Notice of Stockholders and Proxy Statement, at 56; GSK ANNUAL REPORT 2022 136 (2023); Shionogi, *Chapter 3: Mechanisms Supporting SHIONOGI’s Growth*, from INTEGRATED REPORT 2023, at 93.

<sup>60</sup> *Yearly Average Currency Exchange Rates*, IRS.GOV, <https://www.irs.gov/individuals/international-taxpayers/yearly-average-currency-exchange-rates> (last visited Jan. 8, 2023).



**To: Vincent DeMarco, President  
Maryland Health Care For All Coalition**

**From: Steve Raabe, President  
OpinionWorks LLC**

**Date: September 11, 2023**

**Subject: Maryland Poll: Attitudes about Prescription Drug Affordability Board**

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## OVERVIEW AND SUMMARY

The Maryland Health Care For All Coalition commissioned this statewide poll of Maryland registered voters to assess public opinion on issues surrounding prescription drug affordability and a proposal to expand the authority of Maryland's Prescription Drug Affordability Board.

These findings are based on our statewide poll of 1,090 registered voters, conducted online and by telephone from August 10 to 17, 2023. The poll has a potential sampling error of  $\pm 3.0\%$  at the 95% confidence level. A more detailed methodology statement is found at the end of this memorandum.

### Summary of Findings

This statewide poll shows widespread concern among Maryland voters about prescription drug costs, resulting in overwhelming support for Maryland's Prescription Drug Affordability Board. Furthermore, voters overwhelmingly favor expanding the Board's authority so it can limit high drug costs for all Marylanders. That support cuts across all party lines, with very strong support from Democrats, Republicans, and Independents.

## DETAILED FINDINGS

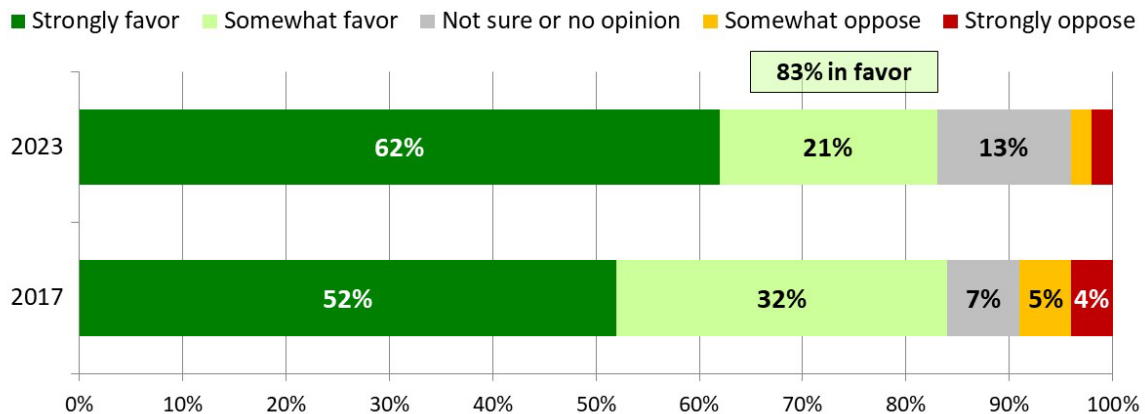
### Prescription Drug Affordability Board: Strong and Growing Support among Maryland Voters

More than four out of five voters (83%) favor having a Prescription Drug Affordability Board with the power to make high-cost drugs more affordable. Almost two-thirds (62%) of voters favor the Board *strongly*.

This very strong support for the Board has only increased since we first asked about it in 2017, before the Board was enacted. At that time, 52% percent of Maryland voters strongly favored creating a board and 32% somewhat favored it. Almost one in ten voters opposed the concept, opposition that has nearly vanished today.

Note that only one-fifth (21%) of voters in the current poll said they knew about the Board before hearing it described in the poll, suggesting that there is much more work to do to share the concept with voters.

## Growing Support for Prescription Drug Affordability Board



In 2019, Maryland became the first state in the nation to create a Prescription Drug Affordability Board, which is an independent body with the authority to examine the evidence and establish more affordable costs for expensive prescription drugs.

Based on this description, do you strongly favor, somewhat favor, somewhat oppose, or strongly oppose a Maryland Prescription Drug Affordability Board with the power to make high-cost drugs more affordable?

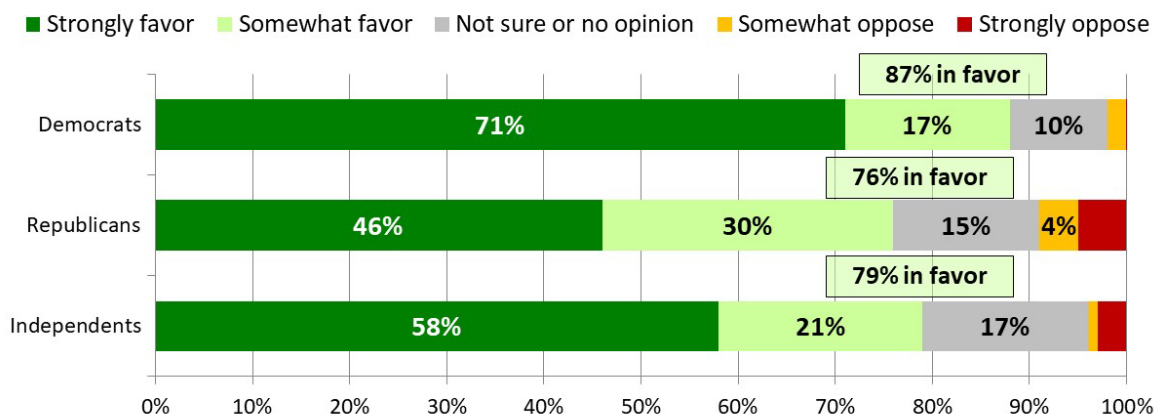
*(Question asked with slightly different wording in 2017.)*

In this partisan age, it is significant that support for the Affordability Board crosses all party lines:

- More than three-quarters of Republicans (76%) favor the Board, with a near majority of 46% strongly in favor.
- Four out of five Independent voters (79%) favor it, with 58% strongly in favor.
- Among Democrats, support climbs to 87%, with 71% strongly in favor of the Board.

## Prescription Drug Affordability Board

*Support by Political Party*



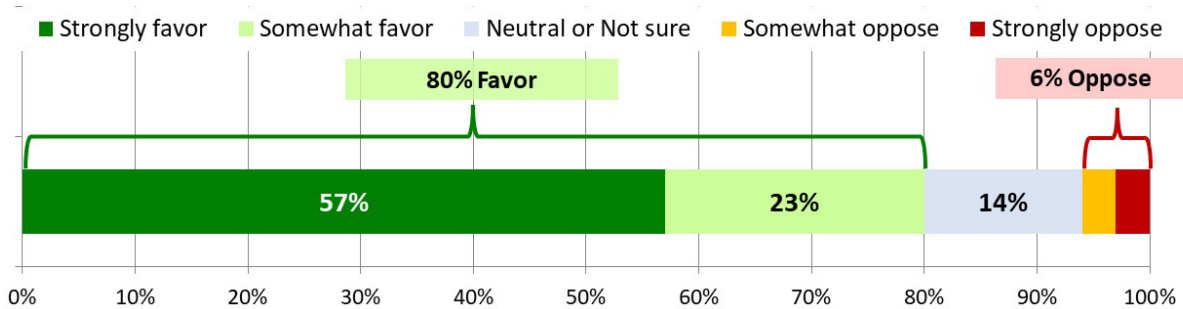
Based on this description, do you strongly favor, somewhat favor, somewhat oppose, or strongly oppose a Maryland Prescription Drug Affordability Board with the power to make high-cost drugs more affordable?

### Overwhelming Support for Expanding the Authority of the Prescription Drug Affordability Board

Currently, the Board only has the authority to limit high drug costs for state and local governments, not for most average Marylanders. Thinking forward, voters strongly favor expanding the Board’s authority much further to limit high drug costs for all Marylanders.

The support is overwhelming. Eighty percent of Marylanders favor expanding the authority of the Prescription Drug Affordability Board. A solid 57% majority *strongly* favor the expansion. Only 6% of Maryland voters oppose this proposal.

### Overwhelming Support for Expanding the Board’s Authority

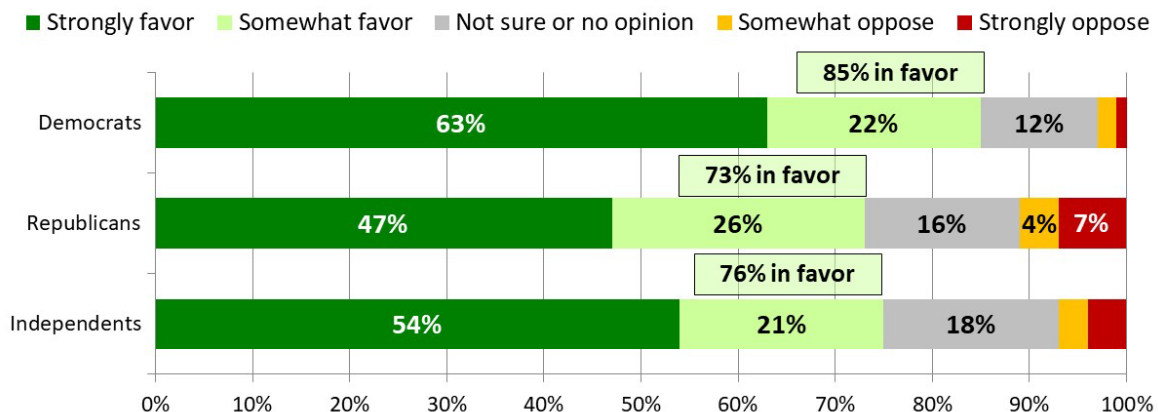


Currently, the Board only has the authority to limit high drug costs for state and local governments – for example, for government employees, jails, and schools. It cannot set limits on what most Maryland residents pay for their prescription drugs. Would you favor or oppose expanding the authority of the Board so it can limit high drug costs for all Marylanders?

Support for this proposal is very strong regardless of political party. Seventy-three percent of Republicans, 76% of Independents, and 85% of Democrats across Maryland support expanding the Board’s authority. Opposition is very small, regardless of political party identification.

### Expanding the Board’s Authority

Support by Political Party



Currently, the Board only has the authority to limit high drug costs for state and local governments – for example, for government employees, jails, and schools. It cannot set limits on what most Maryland residents pay for their prescription drugs. Would you favor or oppose expanding the authority of the Board so it can limit high drug costs for all Marylanders?

**Political Impact of Legislators’ Position on Prescription Drug Affordability Board**

This overwhelming support for expanding the authority of the Prescription Drug Affordability Board translates into a potential major impact on General Assembly contests next year. This poll found that this issue could cause large swings in voter support – *even causing many voters to oppose legislative candidates of their own party.*

As the table below indicates, on the so-called generic ballot, if the election were held today Democratic legislative candidates would start off with a 29-point advantage based on partisan preferences across the state. Asked who they would support in the next state legislative elections, 53% of voters said they are more likely to vote for the Democratic candidates while 24% would favor the Republicans.

Learning of a hypothetical Democrat in their district who supports expanding the authority of the Board and a hypothetical Republican who opposes that, **the margin for the Democrat rose to a resounding 48 percentage points** (64% for the Democrat vs. 16% for the Republican).

However, in a different matchup where the Republican supports expanding the authority of the Board and the Democrat opposes it, the Democratic advantage was completely reversed, with the Republican receiving support from 43% of voters, compared to only 24% for the Democrat – a 19-point margin for the Republican. **This represents a massive 67-point swing in voter support – an unusual outcome in this partisan age – and a signal about how strongly felt voters’ opinions are about prescription drug costs.**

**Support for Legislative Candidates Based on Their Position on PDAB**

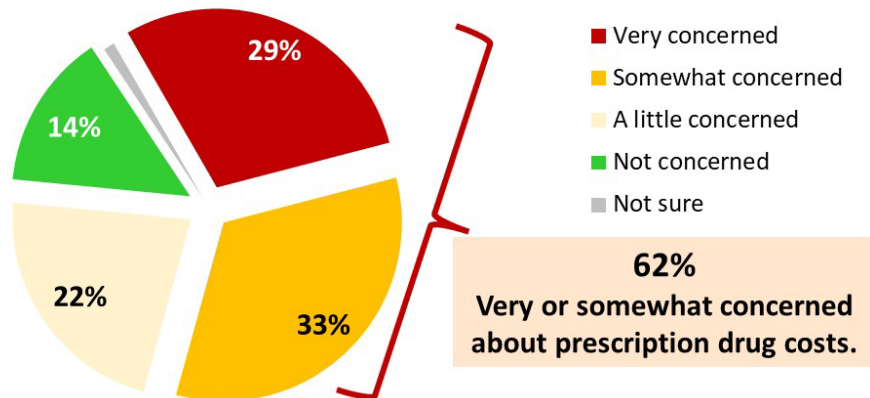
	<b>Support the Democratic Candidate</b>	<b>Support the Republican Candidate</b>	<b>Margin</b>
Generic Ballot in State Legislative Elections	53%	24%	Democrat +29%
Democrat Supports PDAB Expansion; Republican Opposes	64%	16%	Democrat +48%
Republican Supports PDAB Expansion; Democrat Opposes	24%	43%	Republican +19%
<p>“In the next state legislative elections, are you more likely to vote for... (rotate): the Democratic candidates or the Republican candidates?”</p> <p>(Rotate order of next two questions):</p> <p>“If you learned that the <u>Democratic</u> candidate in your legislative district <u>supported</u> expanding the authority of the Prescription Drug Affordability Board while the <u>Republican</u> candidate <u>opposed</u> it, who would you be more likely to vote for (rotate): the Democratic candidate or the Republican candidate?”</p> <p>“If you learned that the <u>Republican</u> candidate in your legislative district <u>supported</u> expanding the authority of the Prescription Drug Affordability Board while the <u>Democratic</u> candidate <u>opposed</u> it, who would you be more likely to vote for (rotate): the Democratic candidate or the Republican candidate?”</p>			

### Great Concern About Affording Prescription Drugs

Several factors help explain this overwhelming support and large political impact. One of these is a strong concern among Marylanders about prescription drug costs.

Nearly two-thirds (62%) are very or somewhat concerned “personally” about the cost of prescription drugs. More than a quarter of Maryland voters (29%) said they are “very concerned personally.” Only a small minority (14%) are not concerned about drug costs.

## Personal Concern about Prescription Drug Costs

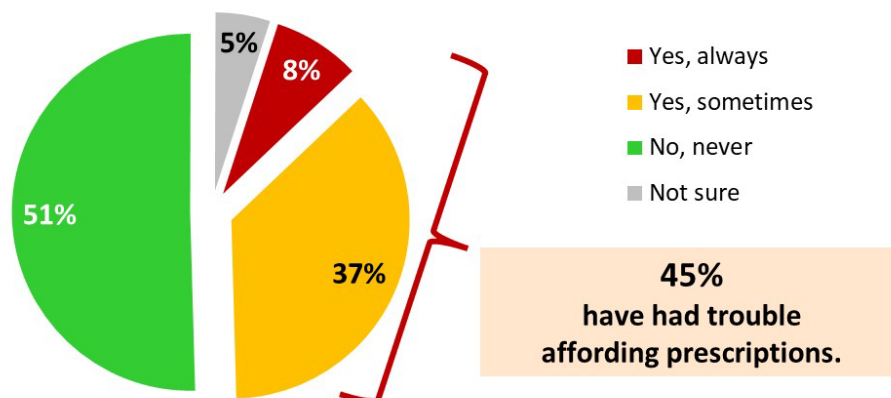


How much does the cost of prescription drugs concern you, personally? Would you say you are very concerned personally, somewhat concerned, a little concerned, or not personally concerned about it?

### Trouble Affording Prescription Drugs

This concern about prescription drugs is often founded on personal experience. A sobering 45% of Marylanders – nearly half – indicated that they always or sometimes have had trouble affording prescription medications.

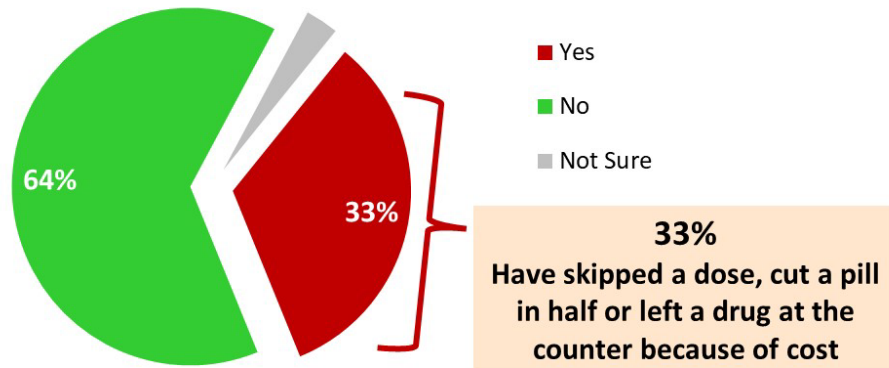
## Trouble Affording Prescription Medications



Do you or other members of your household ever have trouble affording prescription medications?

This is manifested in the real-life outcome that one-third (33%) of Marylanders said they have “skipped a dose, cut a pill in half, or left a drug at the counter” *because of cost*.

## Skipping a Dose Due to Cost

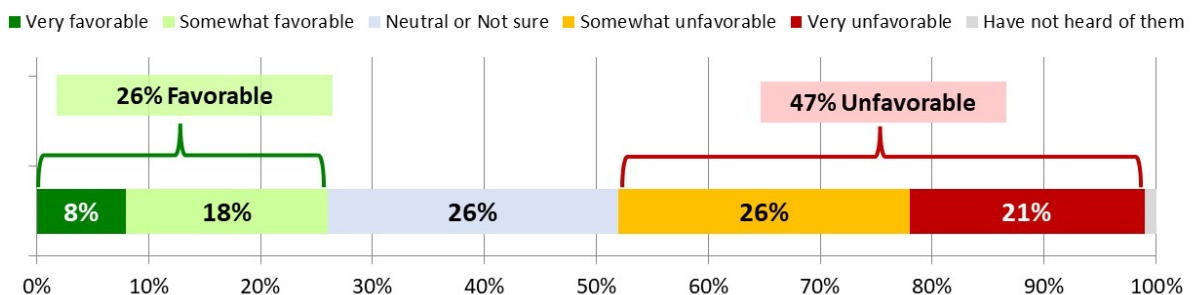


Because of cost, have you ever skipped a dose, cut a pill in half, or left a drug at the pharmacy counter?

## How Marylanders Feel About Pharmaceutical Companies

Another factor that may help explain strong support for the Prescription Drug Affordability Board is voters’ attitude toward the pharmaceutical industry. Only 26% of voters view the industry favorably, while nearly twice as many (47%) view it unfavorably. About one-quarter (26%) of Marylanders have neutral views about the pharmaceutical industry.

## Pharmaceutical Industry Favorability



Following is a list of people and groups. For each one, please say if you have a very favorable, somewhat favorable, neutral, somewhat unfavorable, or very unfavorable opinion. If you have not heard of them, just say so.

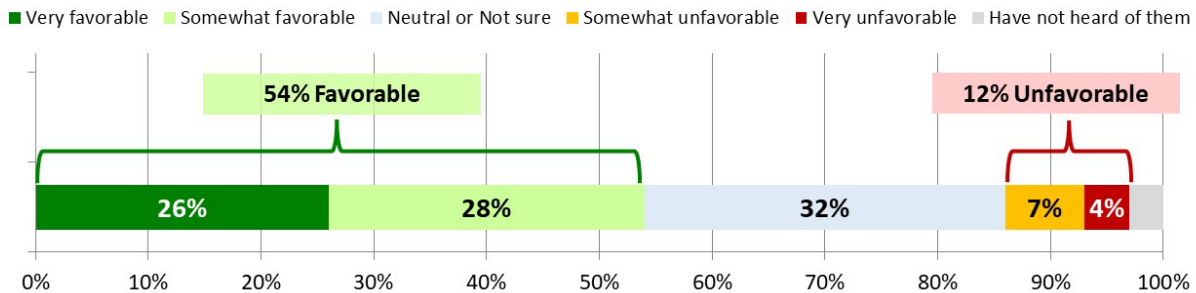
...The pharmaceutical industry.

The low favorability for pharmaceutical companies cuts across party lines. Democrats and Republicans view the industry nearly identically, with 28% of Democrats and 29% of Republicans with favorable views. Unfavorability towards the industry is 45% among Democrats and 44% among Republicans. Interestingly, Independents were much less favorable towards pharmaceutical companies, with only 15% of viewing them favorably and 53% viewing them unfavorably.

### A Contrast with AARP

For purposes of comparison, the AARP has a vastly more favorable standing with voters. Over half of respondents have a favorable view of the AARP (54%). Very few voters have an unfavorable view (12%), while 32% were neutral.

## AARP Favorability



Following is a list of people and groups. For each one, please say if you have a very favorable, somewhat favorable, neutral, somewhat unfavorable, or very unfavorable opinion. If you have not heard of them, just say so.

...AARP.

### Key Voter Attitudes

As an additional step in helping explain voter sentiment on prescription drug costs, the poll tested several attitudes, including arguments that the pharmaceutical industry has made in opposing the Prescription Drug Affordability Board. The table on the following page summarizes voter response to these attitudinal questions. This is a summary:

- Marylanders demonstrate a sense of empathy and social justice, with 83% agreeing with the statement, “It bothers me that many Marylanders can’t afford their medicines, sometimes having to choose between paying for their prescriptions or paying for rent and groceries.”
- They indicate that drug companies may have overstepped the boundaries of fairness, with 80% agreeing with the statement, “I don’t object to drug companies making a profit, but their huge markups just aren’t fair.”
- Maryland voters object to high CEO pay, with 78% agreeing with the statement, “Drug companies pay their executives lavish salaries and make enormous profits. Average Marylanders get gouged while CEOs get rich.”
- Meanwhile, most Marylanders do not believe the pharmaceutical industry’s core argument that limiting drug costs will jeopardize research, with only 30% agreeing with the statement, “Controlling prescription drug costs will reduce the ability to fund life-saving research.”
- Relatively few voters believe limiting drug costs could cost jobs in Maryland, with only 23% agreeing with the statement, “Limiting drug costs will hurt jobs, because it will force bio-medical businesses in Maryland to shut down and lay off their employees.”

	<b>Strongly Agree</b>	<b>Total Agree</b>	<b>Democrats</b>	<b>Republicans</b>	<b>Others</b>
It bothers me that many Marylanders can't afford their medicines, sometimes having to choose between paying for their prescriptions or paying for rent and groceries.	62%	83%	88%	78%	79%
I don't object to drug companies making a profit, but their huge markups just aren't fair.	55%	80%	81%	79%	78%
Drug companies pay their executives lavish salaries and make enormous profits. Average Marylanders get gouged while CEOs get rich.	52%	78%	81%	75%	74%
Controlling prescription drug costs will reduce the ability to fund life-saving research.	13%	30%	30%	38%	22%
Limiting drug costs will hurt jobs, because it will force bio-medical businesses in Maryland to shut down and lay off their employees.	9%	23%	23%	28%	17%

**Methodology**

**How This Poll was Conducted**

A total of 1,090 interviews were conducted statewide August 10-17, 2023 among randomly selected Maryland registered voters. A cross-section of Marylander registered voters were surveyed online, and live telephone interviewers reached additional voters on both wireless and landline telephones, to ensure the poll best represented all segments of the electorate. Sampling targets were adhered to throughout the interviewing process to ensure that the sample represented the statewide electorate geographically, by political party, gender, age, and race or ethnicity. Following interviewing, statistical weights were applied to ensure the sample most closely mirrored the characteristics of the statewide electorate. This poll produces a margin of sampling error no greater than  $\pm 3.0\%$  at the 95% confidence level, meaning that at least 19 times out of 20 the actual results would differ by no more than that margin if every registered voter in the state had been interviewed.

**Brief Background on OpinionWorks**

OpinionWorks is a non-partisan firm that conducts frequent opinion studies at the state and local level across the country. Since 2007 we have been the polling organization for *The Baltimore Sun* newspaper in Maryland and have polled for numerous other media and advocates throughout the nation. We are engaged by state and local government agencies from Delaware to Oregon to assess public needs and preferences. We measure health attitudes and practices for public health departments and advocates, assess alumni engagement and prospective student expectations for colleges and universities, evaluate donor and volunteer relationships for non-profit organizations, and study human decision-making to inform behavior change efforts on environmental and health questions.



★ GONZALES ★  
*Polls, Inc.*



MARYLAND POLL

January 2025

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## Background and Methodology

Patrick E. Gonzales graduated magna cum laude from the University of Baltimore with a degree in political science.

His career in the field of public opinion research began in the mid-1980s as an analyst with *Mason-Dixon Opinion Research*. During this time, Mr. Gonzales helped develop, craft and implement election surveys and exit polls for television and radio in the Baltimore-Washington D.C. metro area.

Mr. Gonzales has polled and analyzed thousands of elections in Maryland and across the country over the past forty years. Further, he and his associates have conducted numerous market research projects, crafting message development plans and generating strategy blueprints for businesses and organizations throughout the state.

Over his decades of conducting public opinion polls, Patrick Gonzales has been widely recognized by his peers for his ability to conduct unbiased surveys, and analyze the results in an impartial, evenhanded manner.

Mr. Gonzales appears frequently on radio and television in the Baltimore-D.C. region as a guest commentator.

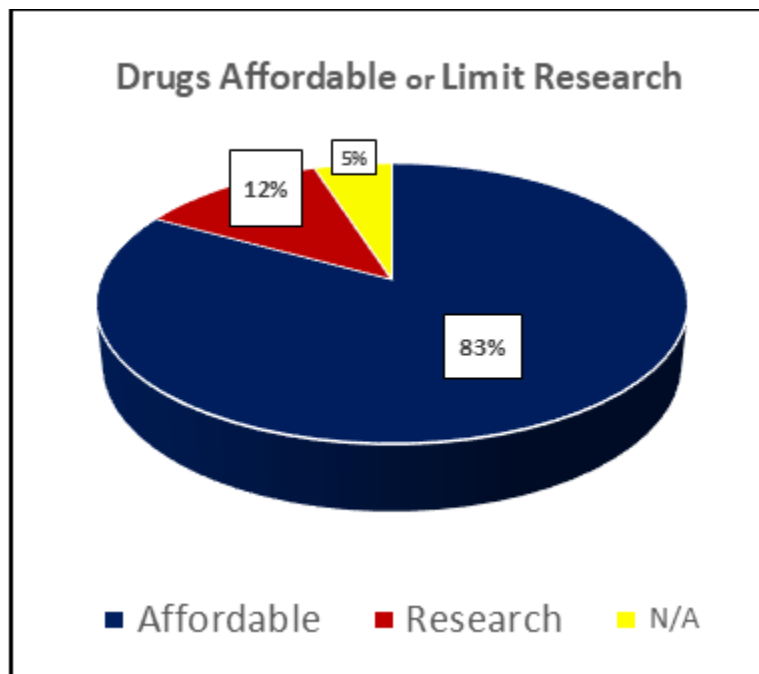
This poll was conducted by ***Gonzales Research & Media Services, Inc.*** from December 27<sup>th</sup>, 2024 through January 4<sup>th</sup>, 2025. A total of 811 registered voters in Maryland, who indicated they are likely to vote in the next election, were queried by live telephone interviews, utilizing both landline and cell phone numbers. A cross-section of interviews was conducted throughout the state, reflecting general election voting patterns.

The margin of error (MOE), per accepted statistical standards, is a range of plus or minus 3.5 percentage points. If the entire population was surveyed, there is a 95% probability that the true numbers would fall within this range.

## Gonzales Maryland Poll – January 2025 Results

### Maryland Citizens' Health Initiative – Drug Affordability

Among Maryland voters, a sweeping 83% align more closely with the belief that drug companies can afford to make their drugs less expensive, given their inflated profits and exorbitant spending on advertising; while only 12% think that capping the prices drug companies can charge for prescriptions would constrain their ability to finance research for new medications, with 5% providing no opinion.



Hefty majorities in every demographic subgroup side with the belief drug corporations can easily afford to make their drugs more affordable.

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	<b><u>Make Drugs Affordable</u></b>	<b><u>Research</u></b>
Statewide	83%	12%
Democrat	90%	7%
Republican	76%	17%
Independent	73%	17%
White	83%	11%
African American	83%	13%
Other	82%	15%
Women	84%	10%
Men	81%	13%
18-34	92%	6%
35-49	78%	15%
50-64	82%	13%
65 and older	80%	12%
Rural Maryland	83%	12%
Baltimore City	90%	8%
Baltimore Suburbs	82%	12%
Washington Suburbs	82%	13%

# Appendix A: Data Tables

**QUESTION: Drug Affordability** *Which of the following two statements comes closer to your belief? (ORDER ROTATED)*

1. *Drug corporations make inflated profits and spend excessively on advertising. They can easily afford to make their drugs more affordable.*

or

2. *Limiting what drug corporations can be paid for expensive prescriptions would limit their ability to fund research for new drugs.*

MAKE AFFORDABLE or NEW RESEARCH	Number	Percent
Make Drugs Affordable	670	82.6 %
Need New Research	97	12.0 %
No answer	44	5.4 %
Total	811	100.0 %

N=811

MAKE AFFORDABLE or NEW RESEARCH		
Make Drugs Affordable	Need New Research	No answer

**RESULTS**

Statewide	670 82.6%	97 12.0%	44 5.4%
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N=811

MAKE AFFORDABLE or NEW RESEARCH		
Make Drugs Affordable	Need New Research	No answer

**PARTY REGISTRATION**

Democrat	386 89.6%	31 7.2%	14 3.2%
Republican	170 75.9%	39 17.4%	15 6.7%
Unaffiliated	114 73.1%	27 17.3%	15 9.6%

N=811

	MAKE AFFORDABLE or NEW RESEARCH		
	Make Drugs Affordable	Need New Research	No answer
<u>RACE/ETHNICITY</u>			
White	393 82.6%	52 10.9%	31 6.5%
African American	202 82.8%	31 12.7%	11 4.5%
Other/No answer	75 82.4%	14 15.4%	2 2.2%

N=811

	MAKE AFFORDABLE or NEW RESEARCH		
	Make Drugs Affordable	Need New Research	No answer
<u>GENDER</u>			
Female	367 84.0%	45 10.3%	25 5.7%
Male	303 81.0%	52 13.9%	19 5.1%

N=811

	MAKE AFFORDABLE or NEW RESEARCH		
	Make Drugs Affordable	Need New Research	No answer
<u>AGE</u>			
18 to 34	134 92.4%	9 6.2%	2 1.4%
35 to 49	156 78.4%	30 15.1%	13 6.5%
50 to 64	197 82.4%	30 12.6%	12 5.0%
65 and older	183 80.3%	28 12.3%	17 7.5%

N=811

MAKE AFFORDABLE or NEW RESEARCH

	Make Drugs Affordable	Need New Research	No answer
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REGION

Rural Maryland	104 82.5%	15 11.9%	7 5.6%
Baltimore City	56 90.3%	5 8.1%	1 1.6%
Baltimore Suburbs	261 82.1%	37 11.6%	20 6.3%
Washington Suburbs	249 81.6%	40 13.1%	16 5.2%



## Appendix B: Maryland Poll Sample Demographics

<u>AGE</u>	<u>Number</u>	<u>Percent</u>
18 to 34	145	17.9 %
35 to 49	199	24.5 %
50 to 64	239	29.5 %
65 and older	228	28.1 %
Total	811	100.0 %

<u>PARTY REGISTRATION</u>	<u>Number</u>	<u>Percent</u>
Democrat	431	53.1 %
Republican	224	27.6 %
Unaffiliated	156	19.2 %
Total	811	100.0 %

<u>RACE/ETHNICITY</u>	<u>Number</u>	<u>Percent</u>
White	476	58.7 %
African American	244	30.1 %
Other/No answer	91	11.2 %
Total	811	100.0 %

<u>GENDER</u>	<u>Number</u>	<u>Percent</u>
Female	437	53.9 %
Male	374	46.1 %
Total	811	100.0 %

<u>REGION</u>	<u>Number</u>	<u>Percent</u>
Rural Maryland	126	15.5 %
Baltimore City	62	7.6 %
Baltimore Suburbs	318	39.2 %
Washington Suburbs	305	37.6 %
Total	811	100.0 %

### **Regional Groupings**

***Rural Maryland*** – includes Allegany, Calvert, Caroline, Cecil, Dorchester, Garrett, Kent, Queen Anne’s, St. Mary’s, Somerset, Talbot, Washington, Wicomico, and Worcester counties.

***Baltimore City*** – includes Baltimore City.

***Baltimore Suburbs*** – includes Anne Arundel, Baltimore, Carroll, Harford, and Howard counties.

***Washington Suburbs*** – includes Charles, Frederick, Montgomery, and Prince George’s counties.