

## TESTIMONY OF HILARY D KOCH

**In Support of LD 1636,  
An Act to Reduce Prescription Drug Costs by Using International Pricing  
Joint Standing Committee on Health Coverage, Insurance, and Financial Services  
February 15, 2022**

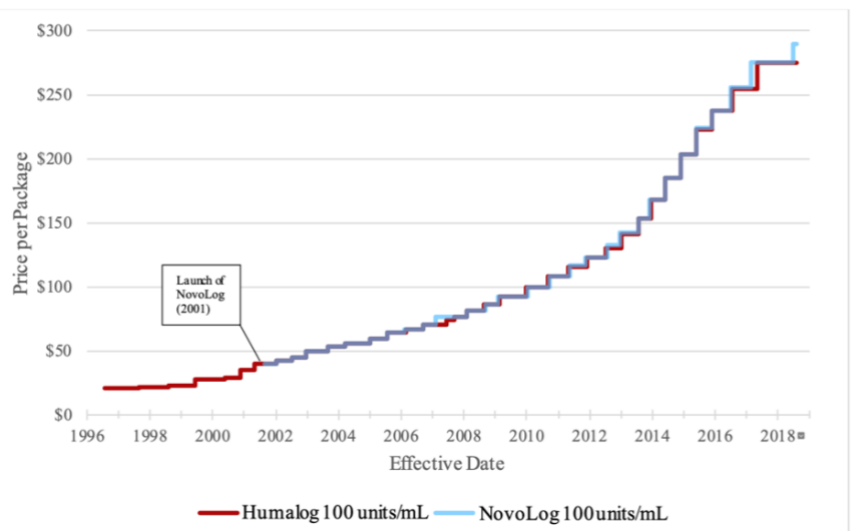
Senator Sanborn, Representative Tepler, and distinguished members of the committee on Health Coverage, Insurance, and Financial Services, my name is Hilary Koch, and I live in Waterville. I am the parent of a child with type 1 diabetes, and I am also a former policy manager for the US division of an international nonprofit where I worked on federal health care bills, two of which used international drug price referencing.

“A market that’s allowed to artificially inflate prices rather than let market forces dictate prices is not capitalism, it’s exploitation. Capitalism necessarily requires competition balancing the price point through supply and demand economic principles — none of which exist today in the insulin market.” These are words from Maine State Senator Trey Stewart a few weeks ago when he discussed insulin manufacturers as he introduced LD 1729. And he is right. Pharmaceutical manufacturers have thrown out every trick in the book to stop competition and keep prices high.

On December 20, 2021, the U.S. House of Representatives Committee on Oversight and Reform released a [report](#) detailing the findings of the pharmaceutical industry’s pricing and business practices. Chairwoman Carolyn Maloney’s introductory letter summarizes the report: “Drug companies have raised prices relentlessly for decades while manipulating the patent system and other laws to delay competition from lower-priced generics.” (i) She goes on to say something many Americans might not know, “These companies have specifically targeted the U.S. market for higher prices, even while cutting prices in other countries, because weaknesses in our health care system have allowed them to get away with outrageous prices and anticompetitive conduct.” (i)

The committee examined several drugs and many drug companies. Insulin manufacturers Eli Lilly, Novo Nordisk, and Sanofi, known as “the Big Three,” were notably scrutinized as they control roughly 90% of the world insulin market and almost 100% of the American market. The Oversight report identified the Big Three as avoiding competition by shifting patients to new drugs before generic competition for older products were released, adding conditions to PBM rebates that excluded competitor products on formularies, raising prices in lockstep with competitors to prevent competition (known as shadow pricing), and abusing the patent system. The result? They’ve raised the price of insulin by over 1,200% (see “Figure 6” taken from Oversight report, xiii) and [1 in 4 Americans ration](#) their insulin because they can’t afford it.

**Figure 6: Comparison of Rapid-Acting-Insulin Price Increases—Humalog (Eli Lilly) and NovoLog (Novo Nordisk), 1996–2018**



These cartel-like-practices that pharmaceutical manufactures use aren't a secret. Employees among the Big Three companies have joked about their shadow pricing, "In a discussion among Novo Nordisk employees about an Eli Lilly price increase for a different diabetes product on December 24, 2015, a Novo Nordisk pricing analyst remarked, '[M]aybe Sanofi will wait until tomorrow morning to announce their price increase ... that's all I want for Christmas.'" (xii) My response to this will always be, "All I want for Christmas is to know that my son will never have to worry about facing certain death because he can't afford his insulin." I want that for everyone. And I know you do too.

The Oversight report reveals that these tactics have not been limited to just insulin, but pharmaceutical manufacturers claim prices must remain high for research and development. Yet the Oversight report reveals that all the companies investigated had executive bonuses tied to revenue targets, and many had compensation structures that incentivized and rewarded executives when drug-specific revenue targets were met. (vii) Indeed, some manufacturers wouldn't have met their targets without raising their prices. Moreover, recent [federal disclosures](#) also reveal that Eli Lilly and Novo Nordisk increased their lobbying spending last year. Lilly spent \$7 million dollars, a 29% increase over the 2020 spending and Novo Nordisk spent \$3.2 million, a 24% increase. Millions spent not for research and development, but to put on a show of smoke and mirrors for politicians and the American public. What they don't want you to know is much of innovation funding actually comes from taxpayers. The National Institutes of Health has invested billions of dollars in drug development in partnership with pharmaceutical manufacturers, and a [recent study](#) indicated that American tax dollars helped fund every new pharmaceutical drug in the last decade.

But Mainers haven't seen a return on their investment. Indeed, Waterville resident Nick Bolduc, [died because he couldn't afford his insulin](#). Waterville residents, [Annie and Paul Thompson](#), were featured in the news because they'd drive to Canada every three months to buy insulin. Why? Because Humalog insulin, an insulin made by an American company for roughly \$5 a vial, sells for over \$300 in the United States but costs roughly \$35 a vial in Canada.

So, how do we fix it? When Senator Stewart spoke out against insulin manufactures in favor of LD 1729, he suggested we look to our state motto of "Dirigo" and lead. I agree. But we don't stop at LD 1729 to hold just insulin manufactures accountable. Because we know pharmaceutical manufactures have used similar practices for several drugs over many years, LD 1636 is critical to help hold pharmaceutical manufacturers accountable for abusing Americans and our system. I urge you to support LD 1636.