

June 26, 2020

Mr. Peter Maybarduk
Public Citizen
Access to Medicines Director
1600 20th Street, NW
Washington, DC 20009

RE: Your letter of April 27, 2020

Dear Mr. Maybarduk,

Thank you for your outreach in response to the COVID-19 pandemic. In the face of a global crisis, Novartis has quickly mobilized R&D capabilities, medicines, clinical trials expertise and philanthropic aid to address the coronavirus pandemic.

- We are undertaking several efforts to leverage our capabilities in discovery, development and scale-up manufacturing. We are partnering with multi-stakeholder external consortia, including the COVID-19 Therapeutics Accelerator, coordinated by the Bill & Melinda Gates Foundation, Wellcome Trust and MasterCard.
- We are assessing whether Novartis medicines could be repurposed to treat patients with coronavirus infection. Novartis has a large-scale effort to help evaluate hydroxychloroquine with a sponsored study and support for several investigator initiated trials. Jakavi[®] (ruxolitinib), Ilaris[®] (canakinumab) and Cosentyx[®] (secukinumab) and more medicines are also under evaluation for people with COVID-19 infection.
- We have committed to donate up to 130 million doses of hydroxychloroquine to support the global COVID-19 pandemic response. Sandoz, the Novartis generics and biosimilars division, is also maintaining prices on a basket of essential medicines that may help in the treatment of COVID-19.
- The Novartis COVID-19 Response Fund will provide USD 20 million to support communities around the world most impacted by the coronavirus pandemic.

At Novartis, we aim to price our Medicines responsibly, based on the value they deliver to patients, healthcare systems and society. In the US, we implemented guidelines for limiting average net price increases across our portfolio to the healthcare inflation rate, and we publish our average gross and net price increases annually in the Novartis in Society, 2019 US Report.

In 2019, the average gross price increase across our portfolio was 4.9%. However, our average net prices over the same period were only 2.9%. In the US, our average gross price increase from 2015 to 2019 was 6.3% while our average net price decreased by 0.2%. Gross price (also



called list price or wholesale acquisition cost) is the starting price set by the pharmaceutical company. Net price reflects the final amount received by the company. The difference between the gross and the net price is largely the result of many negotiations that take place between the pharmaceutical company and other stakeholders in the supply chain, such as government payers, insurers, pharmacy benefit managers, wholesalers, retailers and hospitals. These negotiations typically result in the pharmaceutical company paying discounts, rebates, and fees to the stakeholders in the supply chain, which decreases the gross price.

These discounts and rebates are not directly passed on to the patient, meaning that net prices often differ from the final costs absorbed by payers and patients. Further, stakeholders in the supply chain may apply additional charges and fees, increasing drug prices above the discounted amount charged by the manufacturer.

In the US, the total annual rebates and discounts on Novartis products (both innovative medicines and Sandoz generics) increased from 45.8% in 2015 to 48.4% in 2019.

For additional information on how we at Novartis are working to improve the US healthcare systems and ensure patients access to medicines, please see our Novartis in Society, 2019 US Report which can be downloaded from:

<https://www.novartis.com/sites/www.novartis.com/files/novartis-in-society-us-report-2019.pdf>

Regards,

//Thomas N. Kendris 

Thomas N. Kendris

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