Can We Seize This Moment to Reform U.S. Health Care?

Remarks of Jeff Kindler
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Two weeks ago, Pfizer announced that we are acquiring Wyeth and creating what we believe will be the world's premier biopharmaceutical company. We are very excited about the opportunities this will give us to better address unmet medical needs across the globe.

But, unfortunately, to compete successfully, we also have to lay off nearly 20,000 people from the combined company. Sadly, we are not alone. This past Friday, we all learned that 600,000 people lost their jobs in just the last month.

Twelve million people are now out of work in this country. They and countless others that *do* have jobs are living with real fears about how they will pay the bills, whether they can hold onto their homes, and what happens if someone in their family gets sick. They're scared and they're angry.

We hear you.
We get it.

Many of them blame people like some of us in this room—the men and women who work in America's big companies. They look at us and see greed and selfishness. Many believe the very system of capitalism has failed them. To state the obvious: much of the American public has lost confidence in American business.

Regrettably, this is not a new experience for people like me or for others in the biopharmaceutical industry. A belief that our prices are too high, that we run misleading advertising, and that we care more about playing golf with doctors than about helping them understand our medicines—all of this has earned our industry a reputation near the bottom of all American institutions.

We're not alone anymore. Along with the financial industry, automakers, energy companies, mortgage lenders, and lots of others, we have to earn back a lot of trust. If we fail, then the real and legitimate anger that so many are feeling could lead to policy changes that could damage American competitiveness and put our country's long-term prosperity at risk.

It will take a lot of time, energy, and change to turn this around, so we have to get to work. The best way to start is by letting people know "we hear you" and "we get it." We need to acknowledge where we've gone wrong, that we're making real changes, and that we are willing and able to work with policymakers to address our country's most urgent problems.

For millions of Americans, one of the most urgent such problems is health care, and that's what I'd like to talk to you about tonight.

Fundamental, Familiar Problems

The health care problems we face are fundamental and familiar.

We spend too much and get too little. We spend nearly $2 trillion on health care every year in America—the most in the world, by far. Each year, we pay for 35 million hospital stays, 64 million surgeries, 900 million visits to doctors' offices, and 3½ *billion* medical prescriptions. The Congressional Budget Office says total U.S. health spending could reach 25 percent of GDP about 15 years from now. That's up from 16 percent of GDP today and less than 9 percent in 1980.

We spend much more than most developed countries, yet we rank far behind them in most health outcomes whether it's obesity, prostate cancer, or any number of other metrics. These high costs and poor outcomes grow out of a complex, convoluted system that's full of inefficiency and unfairness.

Look at insurance. One person could be covered by a half-dozen or more plans throughout her life. The state children's health insurance program could pay for her childhood immunizations. As she grows up, her mom's

employer might provide insurance to pay to set the bone when she breaks her leg playing soccer.

Once she enters the working world, her employer might provide the insurance that covers her own child's birth. If she loses that job, she might buy COBRA for a while. And, when her savings run out, she might turn to Medicaid, or just go to the emergency room and hope for the best. Another job or two might bring as many insurance plans, before she retires and turns to Medicare.

And consider the health system's terrible unfairness. Studies show that people living in the very same community can experience enormous disparities in health care outcomes for no other reason than the color of their skin.

Geography matters too. If a patient on Medicare lives in Minneapolis, the average cost for a year's care is about 5,200 dollars. In Miami? A little over $11,000.

Why this huge difference? The data show that the price of individual things—an operation, a hospital stay, and prescription drugs—varies very little. It's how many of the things that doctors prescribe that accounts for the difference. Nobody really knows the reason, but Medicare patients get a lot more care in Miami than Minneapolis.

But here's what's really disturbing. The Miami patients—as one researcher put it—"do not have better health outcomes." They don't even have more "satisfaction with their care." $6,000 more and no better outcomes—and that's for those who have access to health care!

A Unique Opportunity

In a strange way, there is good news here. The system has gotten so bad and the need for reform so clear, that we just might have a unique opportunity to fix it. In fact, for the first time in decades, there is broad agreement across the political spectrum and the private sector on many elements of reform and on the urgency to act.

So I'd like to share some thoughts on how I see this playing out over the next year or so and how my industry can play a constructive role in advancing reform. But, as I said, until our industry starts to regain the public's trust, our standing to make positive contributions to the reform effort is limited.

Pfizer is Changing

So I'd like to first tell you a bit about some of the changes we're making. Let's start with the basics.

We need to be straight and open with people. No one has any tolerance for corporate spin. So, at our company, we're disclosing more information than ever, from the progress our researchers are making, to the results of more than 1,000 clinical trials of experimental new medicines, to the outcomes of follow-on studies of medicines that are already on the market. You can get all of that information on the Web.

In fact, earlier today we announced that we'll begin disclosing how we compensate doctors outside our company—doctors who do important work to ensure that medicines meet the needs of patients and health care providers alike. We're not the first company to do this, but we *are* disclosing more information than any others.

Our industry is also reforming the ads you see on TV. We're enforcing meaningful standards to clarify the roles and responsibilities of our advertising spokespeople, to ensure that ads meant only for adults are shown only at appropriate times of the day, and to make sure that our ads provide a balanced presentation of both a medicine's risks and its benefits. In addition, we now launch consumer advertising only after new medicines have been on the market for six months, so that doctors can gain experience with new medicines before they become widely known by patients. This is something doctors have asked us to do.

We're also responding to the criticisms of the way our salespeople interact with doctors. The golf trips are long gone. No more fancy dinners, or tchotchkes left all over the doctor's office. Fewer representatives in the waiting room, more training, and an even greater focus on providing up-to-date, accurate information about the medicines physicians prescribe.

Meanwhile, we're continuing and expanding our work for people that cannot afford our medicines. Seventy percent of the world's population—four billion people—live on less than three thousand U.S. dollars a year. In the past, we've reached them through our philanthropic work.

As one example, Pfizer has given away 87 million treatments of Zithromax over the past few years to treat the infections that cause blindness in

poor countries. This has helped eliminate the leading cause of preventable blindness in some countries. But looking ahead, we've established a new business unit dedicated to creating a sustainable marketplace, not dependent on charity, that will provide the developing world with affordable medicines in a socially responsible way. Meanwhile, here in the United States, we've helped more than 53 million Americans without insurance get their medicines for free or at reduced cost.

Supporting Reform, Not Stopping It

In addition to changes like these, we have adopted a new approach to legislation and public policy, with an emphasis on actively supporting appropriate reforms, rather than simply trying to stop things we don't agree with.

Along with others in the industry, we vigorously supported expanding S-CHIP, the federal-state plan that provides health coverage to children of working families. The President signed this bill into law last week. This program has been a great success, helping more than 7 million children of working families get the preventive care they need to start school healthy and ready to learn.

In Congress, we're also advocating for a stronger Food and Drug Administration—one that's better funded and shielded from the political influence that has gotten in its way in recent years.

How many businesses do you know that want a stronger regulator? We do, because it will give patients greater confidence that the medicines they take have been thoroughly reviewed by independent scientists for safety and efficacy.

Issues like S-CHIP and a stronger FDA are commonsense solutions that generate broad agreement. As health care reform advances, a similar consensus is emerging around some basic issues. So, let me turn now to the political landscape and the areas where I see agreement emerging. Then, I'd like to touch on a few subjects that will undoubtedly generate substantial debate in the health care debates going forward.

A Lot Has Changed Since 1994

A lot has changed in the politics of health care since Hillary Clinton led the country's last attempt to reform it. Back then, ideology was an obstacle. The left assumed the answer was to end private insurance. The right assumed making everyone buy their own coverage would solve everything. Neither side wanted to compromise, and we all know what happened.

But when health care reform failed, nobody won, and the problem just got bigger. So today, the battle is not so much left versus right, or Democrats versus Republicans, or business versus labor. It's really all of us against a problem that has become too big to ignore.

Everyone now understands that this is a serious crisis. That's why we are now seeing some unusual pairings coming together to find solutions. The Business Roundtable and the American Association of Retired Persons. Insurance companies and doctors in the American Medical Association. Pharmaceutical companies like Pfizer and the Service Employees International Union.

How much have things changed? Two TV commercials tell the tale. Maybe you remember the first one, featuring a couple named Harry and Louise. Have a look.

[Screen shows a worried couple sitting at a kitchen table, looking at bills:

Woman: But this was covered under our old plan.
Man: Oh yeah. That was a good one, wasn't it.

Announcer: Things are changing, and not all for the better. The government may force us to pick from a few health care plans designed by government bureaucrats.

Woman: Having choices we don't like is no choice at all. Man: If they choose… Woman: We lose.

Announcer: For reforms that protect what we have, call toll free. Know the facts. If we let the government choose, we lose. Call today.]

[Second video opens, showing a shut-down factory behind a chain fence.

Announcer: At a time when American businesses are hurting, why should we worry about fixing health care? Because quality, affordable health care can save money and make businesses more competitive, so they can invest in innovation, hire back workers, create jobs, get the economy working again. For everyone—quality, affordable health care. It's not just something we should do for America's families; it's something we must do for America's economy.]

That second ad is on the air now, and it's sponsored by a lot of people that don't agree on a lot. But they do agree on this. This time around, the

business community in general, and the insurance and pharmaceutical industries in particular, are *supporting* comprehensive health care reform, not opposing it.

Broad Agreement Emerging

Broad agreement is emerging on some basic principles. To begin with, no serious policymaker is advocating either a total single-payer system or one that has no important role for the government. Instead, we see broad support for an approach that relies on both the public and the private sectors to improve health care coverage, its quality and affordability.

For example, **most people support the following:** First, expanding private sector coverage through the employer-based system, probably coupled with employer mandates and a "pay or play" requirement; second, expanding public sector coverage by increasing Medicaid coverage for lower-income Americans; by allowing people age 55 and older to buy into Medicare; and by extending S-CHIP eligibility, as we saw last week; and third, there is increasing support for mandating individual coverage as well as for creating a federally-run, nationwide risk pool modeled on Federal Employee Health Benefits. This would be administered through a national "health care exchange"—something like you're seeing in Massachusetts—in which public and private plans would be offered to all Americans, regardless of pre-existing conditions.

And, to improve quality and affordability, we're seeing broad support for ideas such as:

- Increased emphasis on prevention, wellness and chronic disease management;
- Incentives to improve adherence with treatment;
- Aligning financial incentives with patient outcomes;
- Federal reinsurance for catastrophic costs; and
- Increased investment in health information technology, which is a clear imperative for any other aspect of reform.

In addition to these widely supported principles, two other ideas hold out great promise if they are done right—and great peril if they are not.

The first is something called **"comparative clinical effectiveness research."** These are independent reviews of medicines and medical procedures to assess their effectiveness and value to patients. Done right, these reviews will help physicians, patients, employers and health plans by providing evidence-based assessments of the most effective ways to keep people well and to treat illness.

But done wrong, these reviews can hurt patients… by rationing health care, limiting treatment options, and blocking access to proven new innovations. We've seen that happen in the United Kingdom.

Last week, for example, the U.K.'s comparative effectiveness regulator reversed course and agreed to pay for an innovative cancer medication called Sutent, which Pfizer makes to treat advanced kidney cancer. But that decision came only after physicians and patients loudly protested the agency's earlier refusal to pay for this medicine.

Interestingly, the agency had always agreed that this medicines is effective and could extend life by several months. But they said that it was not worth the cost. So, until now, they wouldn't pay for it, and patients in the U.K. couldn't get it, unlike patients here in the United States.

In another case involving another company's product, the U.K. agency proposed that certain medicines to slow down the onset of blindness would be paid for only if you'd already gone blind in one eye and needed to treat your second eye. I'm not making this up. Their reasoning was that, as long as you could see out of one eye, it wasn't worth the cost to treat the other one.

Decisions like these occur when assessments are based too much on short-term cost considerations, and not enough on long-term value. Comparative effectiveness research can be a powerful tool but it should not just ask, "What does a medicine cost?" It should also ask what is the treatment worth, compared to sickness or alternative treatments.

A second important proposal is to create an **independent federal board to oversee much of the health care system**, perhaps including decisions about coverage and pricing. The proposed board would set standards for coverage under federal health plans. Because of the importance of federal health plans, these standards are likely to have a significant influence on the private market. This body would be independent from Congress

and the Executive Branch, much like the Federal Reserve.

I believe this proposal is a good idea, since it would insulate much of health policy from politics. But giving such responsibility to an independent panel could limit the ability of citizens to influence the policy that affects their health care and to make, in consultation with their doctors, the best health care choices for themselves. So we have to make sure that the federal board is set up and run in a way that puts science, innovation, and value ahead of politics and that does not have a sole focus on short-term cost controls.

Finally, some people are advocating a few ideas that I believe would be mistakes and should not be part of health care reform. The biggest one centers around the biggest problem: cost.

We all know that our system is too costly and inefficient. One way of addressing that problem is to establish strong, scientific measures and incentives that focus on long-term value and that pay for good outcomes. Companies like mine, for example, must demonstrate that when our medicines are used appropriately, they will prevent disease, help manage sickness, improve health outcomes, and save costs in the long run.

But some people go further and believe some form of price control of drugs will improve the cost and quality of health care. I respectfully disagree. Such restrictions on the free market system will, in fact, hinder the ability of medical innovators to pursue the next generation of vaccines, treatments, and cures for illness.

Where Does a Health Care Dollar Go?

It's important to remember how we actually spend our health care money, because I don't think everybody always appreciates this. For every one dollar we spend on health care in the U.S…

- 31 cents goes to hospital care;
- 21 cents goes to physician and clinical services;
- 18 cents goes to equipment and personal health care;
- 7 cents goes to dental and other professional care;
- 6 cents goes to nursing homes; and
- 7 cents goes to overhead.

Just 10 cents of every health care dollar goes to prescription medications, and it's been that way for some time. Embedded in that cost is a unique burden for the U.S. that most other countries don't bear—the costs of research and development.

Medical R&D costs a lot of time and money. Today, it usually takes about a decade and costs more than one billion dollars to bring a new medicine to market—three times what it cost only 20 years ago.

Medical research remains a very high-risk enterprise. For every 10,000 new projects our researchers begin in the lab, only one will ever make it to the pharmacy as a new medicine. And only three of every ten drugs that make it to market ever recoup their investments. People funding this high-risk enterprise, whether with private capital or in a public corporation like mine, expect and deserve a return on their investments or they simply won't make them.

Our system encourages that kind of investment and provides the strong intellectual property protections necessary to nurture biomedical innovation. That kind of innovation, in turn, advances American competitiveness and job creation. As we go about reforming health care, we need to be very careful not to undermine this system that has done so much for so many people for so long.

We can learn a lesson from Europe. Not too long ago, Germany was known as the "world's medicine chest," by virtue of the number of companies with R&D laboratories there.

But over the years, European governments have adopted policies that hindered investment in biomedical research. Today, the European Commission reports that 70 percent of the world's biomedical research originates in the U.S., with only 25 percent coming from Europe. It's clear that pro-innovation policies are critical to long-term prosperity and to advancing health care for our children and grandchildren.

Can We Seize this Opportunity?

It's difficult to imagine a more complex area of politics and public policy than health care. Reforming our health care system will be very hard as we face some extremely tough questions. Will the economic crisis that we're experiencing enable health care reform to advance, or prevent it? Is

there enough political will to expand coverage to people that don't have it, even if that means making investments that will only pay off over time—just as we are facing an exploding budget deficit?

Right now, it's hard to say which way these questions will go, and I have to tell you that I'm a little less optimistic than I was even a month or two ago. But I believe an economic imperative and a unique political opportunity have come together to create a moment where health care reform can actually succeed.

As President Obama has said: "Health care reform has to be intimately woven into our overall economic recovery plan. It's not something that we can put off because we are in an emergency. This is part of the emergency."

So, can we seize this unique moment and make progress when we've been unable to do so for so long? I asked myself that question last week as I sat in a meeting of Pfizer leaders from around the world. I got the answer as we heard from a cancer patient named John Gillivan. Listen to what he had to say.

[*Video opens with man speaking at podium*:

My name is John Gillivan, and I have stage four kidney cancer. [Holding a bottle of pills:] This is a bottle of miracles, and I am here today to tell you about my miracle.

In 1996, I was first diagnosed with renal cell carcinoma of the clear cell type. A CAT scan had discovered a tumor in my kidney, and a biopsy confirmed that it was malignant. My cancer metastasized to my lung, lymph nodes and remaining adrenal gland.

Luckily for me, the doctor where I'd been treated was one of five or six in the country who were beginning a Phase-two trial called SU-011,248. I was offered one of the 62 spots nationwide. Only four of the 17 patients in the original Phase I trial had kidney cancer, and only two of those had responded.

Nevertheless, I jumped at the chance. The drug has since been FDA-approved and given the brand name Sutent. After just two cycles, my tumors had begun to shrink. Within six months my lung was clear, my lymph nodes were back to the normal size, and the tumor in my adrenal gland had shrunk by over 50 percent.

It's now been four and a half years. I'm still on Sutent and I feel much more than lucky to have gotten such a durable response.

The fight is not finished, my fight is not finished, and your fight is not finished.

Please, on behalf of all those that I'm here to represent, when the work is difficult and the hours are long, lean into it. We're all depending on you. Thank you for my miracle.]

The last tumor is gone: 'Pfizer, I'm no longer using your product.'

The first doctor Jack Gillivan saw after he was diagnosed said there was no treatment and told him, "Jack, tomorrow is offered to no one." But Jack persisted.

We talked to him last night and he told us something that most companies don't like to hear—but that we love to hear.

He said: "Pfizer, I'm no longer using your product." After four and a half years, his last tumor is gone and he is living a full, active life with his family.

This is what gets us to work every day. So, I ask again: Can we seize this moment to reform health care in the United States, so we can help more people like Jack Gillivan?

The answer is simple: We must.