

Merck Pricing and Access Position Statement



Merck's position on pricing and access to medicines and vaccines

In pricing our medicines and vaccines, we look at the value that a medicine provides through many lenses to make sure:

- Our prices reflect the benefit our medicines provide to people and society
- Our medicines are available to those who need them
- We are able to continue to invest in research and development (R&D) to create new medicines and vaccines that save and improve lives

This document outlines how Merck prices our medicines and vaccines to make sure people who need them can access them. It also explains Merck's commitment to the research and development of new medicines and vaccines.

Our prices reflect the benefit our medicines provide

Our responsible pricing principles

Prices can vary based on many factors. In general, we consider these principles and questions:

- **Value to patients** - how can a new medicine or vaccine help patients live longer and healthier lives?
- **Value to health care systems** - how much does a new medicine or vaccine lower the costs of hospital stays and other health problems from untreated disease?
- **Access** - how are customers around the world - including governments, employers, other payers, physicians and people - able to pay for and access our products?
- **R&D sustainability** - are we able to continue to invest in costly and early stage, sometimes uncertain, R&D that could lead to potential breakthroughs in health care?
- **Competition** - what are the costs of other treatments currently on the market, and how do they compare to the value of Merck's products?

We publicly share the prices of our medicines

In 2017, we began sharing information about the average prices of our medicines in the U.S. to promote transparency in the health care system. We publicly share information about our average prices in the U.S. and the average rebates and discounts we give to payers across our U.S. portfolio.

Our mission

Merck tries to help solve the world's greatest health challenges by developing new medicines and vaccines that can save and improve lives around the world. This has guided us to develop:

- Vaccines to help protect against common childhood diseases
- New treatment options for people who have cancer
- Systems that get our medicines to the right people at the right time

Merck's approach to price transparency

Our 2020 report showed:

3.1% Our yearly average list price for all U.S. products (portfolio) went up by 3.1% (list price is the price Merck sets for wholesalers before negotiating any discounts with insurance companies)

0.9% Our yearly average net price went up by 0.9% (net price is the list price minus rebates, discounts, and returns)

45.5% Our average U.S. portfolio discount (yearly rebates, discounts, and returns) in 2020¹

Reference: 1. Merck. (2021, February 25). 2020 US pricing report. <https://msd20-assets.s3.amazonaws.com/wp-content/uploads/2021/02/24135849/2020-US-PRICING-TRANSPARENCY-REPORT.pdf>



Our commitment to help people afford our medicines

We support policies that help make our medicines affordable for those who need them

To help policymakers address affordability, Merck supports:

Capping out-of-pocket costs:

We support policies to limit what people have to pay out of pocket. In the U.S., the costs for medicines and vaccines make up a small part of the overall health care budget. However, people in the U.S. pay high costs out of pocket because of the complex system of medicine pricing, distribution, and health insurance. These costs continue to rise, and people pay more of the costs for medicines compared to other health care services.

Ensuring people benefit from the large discounts provided to their insurer:

We support policies to ensure that people get the benefit of the large discounts drug makers pay to pharmacy benefit managers and insurance companies. People's out-of-pocket costs should be tied to what insurers actually pay for a medicine.

Reimbursing for a medicine based on the value it delivers:

We believe that drug makers should be paid based on the medicine's value (its benefits and ability to improve people's health outcomes). This means if our medicines do not have

the benefits we expect for people, Merck would be paid less for them. However, there are barriers to value-based payment that policymakers must address.

Actions we take to help people access our medicines

To help people access our medicines, Merck takes these actions:

Following responsible pricing practices:

To make the way we price our medicines transparent, we publicly share certain information about our prices and the discounts we provide to insurers, pharmacy benefit managers, and the government in the U.S. We have also pledged that we will not raise the average net prices across our portfolio in the U.S. by more than the yearly rate of inflation, which is the average increase in prices for goods and services in an economy.

Encouraging generic and biosimilar medicines to lower costs:

When a patent period for one of our branded medicines ends, we support the development of generic and biosimilar medicines. We also advocate for changes that would increase the use of generics and biosimilars to save money for patients and the health care system.



We recognize that some patients cannot afford their medication despite these efforts. Information about Merck programs available to help eligible patients who cannot afford their medications can be found at [merckhelps.com](https://www.merckhelps.com).



Our pricing is appropriate to sustain R&D and our legacy of invention

We must do everything we can to ensure people have ongoing access to medicines and vaccines while supporting the development of future innovations that save and improve lives.

Merck's legacy of invention continues today. When the world comes together to tackle new and daunting health challenges, **we can be counted on to do our part.** Our experience and expertise in confronting those challenges is demonstrated by our commitment to continue developing vaccines and medicines to help solve health challenges around the world.



Research and development (R&D) by the numbers

\$90 billion:

The amount Merck has invested in R&D since 2010 to create new medicines and vaccines^{2,3}

\$10 billion on R&D:

Each year for the past 4 years, Merck has spent about \$10 billion, which is 20% of our revenue⁴

40 million:

The number of Americans in 2018 that were prescribed generic versions of Merck medicines⁵

Why it's important to invest in R&D

In the U.S., the pharma industry spends more than other industries on R&D. These investments allow the pharma industry to fight diseases that affect many Americans today. For example, new medicines have provided potential treatment options for people living with HIV, heart disease and cancer.

A vibrant, sustainable pharma industry is essential to bringing new inventions and medicines to people throughout the world.

Trying to lower costs for health care systems

Studies show that better use of medicines can lead to lower overall health costs due to less hospital stays and other costly complications of disease. Hospital costs are about 30% of all U.S. health care spending. Hospital costs combined with the cost of doctors and clinical services account for about 50% of all health care spending in the U.S.⁶

On the other hand, prescription medicines account for only about 14% of all health care spending in the U.S., with 7.5% of that spending on branded medicines.^{7,8}



Medicines are the only health care treatments that go down in price over time

In 2018, 9 out of 10 prescription medicines filled in the U.S. were generics. This creates a large and less costly set of treatments for many diseases.⁹

Low-cost generic treatments exist because of the pharma industry's investments in R&D. They are our legacy to the health care system and people worldwide.

We must continue to sustain a robust market for innovation and work with partners in the public and private sector as the entire industry works to solve the COVID-19 pandemic and the other great health challenges of our time.

References: 2. Merck. (2020). Annual Report: https://s21.q4cdn.com/488056881/files/doc_financials/2019/q4/2019-Form-10-K-Final.pdf 3. Merck (2014). Annual Report. <http://d1lge852tjjqow.cloudfront.net/CIK-0000310158/fd6051bf-9334-4dcc-be51-9f07b61c2ed4.pdf> 4. Merck. (2020). Annual Report: https://s21.q4cdn.com/488056881/files/doc_financials/2019/q4/2019-Form-10-K-Final.pdf 5. Drug Pricing in America: A Prescription for Change, Part II, Hearings before the Committee on Finance, Senate, 116th Congress (2019) (Responses to Questions For Kenneth C. Frazier). <https://www.finance.senate.gov/imo/media/doc/Merck%20Responses.pdf> 6. PhRMA. (2020). Prescription medicines: Costs in context. <https://phrma.org/Advocacy/Cost-and-Value> 7. Ibid 8. Berkeley Research Group. (2020, January 9). Revisiting the pharmaceutical supply chain: 2013-2018. <https://www.thinkbrg.com/insights/publications/revisiting-the-pharmaceutical-supply-chain-2013-2018/>