



Statement of
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Chairman Chaffetz, Congressman Cummings, and Members of the Committee, thank you for the opportunity to testify on behalf of Valeant and address your questions about the company, our products, the prices of our prescription drugs, and our approach to pharmaceutical research and development.

I have worked for Valeant since 2011, first as the company's chief financial officer, then as a member of the Board of Directors, and now as interim CEO during the medical leave of Michael Pearson. Over this time, I have watched Valeant grow quickly and substantially. Today, we are a robust and innovative specialty pharmaceutical and medical device company that employs about 22,000 people around the world, including 6,000 in the United States, and generates more than \$10 billion in annual revenue. We have a collection of world-class franchises that we use to meet our mission of delivering life-changing drugs to doctors and patients who depend on them. In the United States, we are a leading dermatology, gastrointestinal, ophthalmology, and consumer healthcare company, with growing dental, oncology, and women's health businesses, among others. Valeant makes and markets approximately 1,800 products, including more than 200 prescription drug products in the United States. Our flagship products and brands – such as Bausch + Lomb, Jublia, and CeraVe – are familiar to many Americans, and I am sure to many of you as well.

I hope that today's hearing will permit me to address some of these broader aspects of Valeant's business, although I recognize that I am here today primarily because of the Committee's interest in two issues: The pricing of our drugs and our investment in research and development. I would like to address each of these issues directly.

First, we understand, and have heard very clearly, Congress's and the public's concerns about drug prices in the pharmaceutical industry and Valeant's increases to the list prices of certain drugs, including two cardiac medicines used in hospital procedures, Nitropress and Isuprel. We are responding to these concerns and have already taken steps to address them. We have, for example, created a volume-based price rebate program providing up to a 30% discount for Nitropress and Isuprel through arrangements with the leading hospital group purchasing organizations in the United States. For prescription products purchased by consumers at retail, we have just launched a 20-year program with Walgreens, one of the most well-known and well-respected pharmacies in the nation, that will provide substantial savings for patients purchasing both branded and generic prescription drugs – averaging a 10% reduction for a majority of our branded dermatology, ophthalmology, and women's health products and up to a 95% reduction

on certain branded products for which there is a generic alternative. These actions together offer new and innovative ways to deliver prescription medicines to patients, doctors, and hospitals at lower costs. Valeant takes pride in its innovation, which extends both to the development of new medicines and treatments, and to the development of innovative business approaches that increase patient access to medicines. These new innovations are in addition to our existing patient assistance programs that help ensure that out-of-pocket expenses do not prevent eligible patients from receiving the medicines they need. Valeant offers patient assistance programs for more than 55 products, and we expect to spend more than \$1 billion on patient assistance in 2016.

Second, Valeant's history of innovation is also evident in our approach to research and development. We have consciously avoided building a large, fixed-cost research infrastructure focused on open-ended research, which often proves inefficient. We believe innovation should be judged not by how much a company spends on R&D, but by the new products and innovation that a company is actually able to bring to market.

Valeant's R&D outputs make us a leader in the industry:

- Over the past five years, our productivity – measured by drugs approved per dollar spent – is seven times higher than the average of the fifteen pharmaceutical companies with the most new drug approvals. In the dermatological sector, where we are a market leader, our clinical research success rates exceed the industry in each of the three research phases, and our phase II and phase III success rates are significantly better than industry averages.
- In the last three years, the FDA has approved 6 new drug applications and issued 13 device approvals to Valeant. In the past two years, Valeant has launched 76 new prescription drugs, generic drugs, medical devices, and other products in the United States.
- Our U.S. R&D pipeline contains more than 200 active programs, more than 100 of which we consider significant, including programs for 32 surgical products, 26 consumer products, and 15 dermatology products.

Although, as I noted, we do not believe that dollars spent on R&D alone are the most useful measure of effectiveness, our R&D spending is significant. Valeant's U.S. pharmaceutical R&D spending is about 8% of our U.S. branded pharmaceutical revenue, and we estimate that total U.S. R&D spending will exceed \$400 million in 2016. We have 43 R&D facilities and employ more than 1,000 R&D employees worldwide.

In addition to our internal development, we have looked outside the company to bolster our R&D pipeline, and we have made a strategic choice to pursue valuable R&D through corporate acquisitions, in-licensing, and partnerships. From an economic standpoint, a dollar spent to buy the output from another company's R&D is the same as a dollar spent on in-house R&D. The economic effects may even be greater when acquisitions have the effect of providing capital to small startups that are uniquely positioned to engage in further research and innovation in particular therapeutic spaces. This transformation in the pharmaceutical industry – from large

internal R&D expenditures to entrepreneurial acquisitions – is similar to the transformation that occurred in the technology sector. The large internal R&D operations at traditional technology companies have been supplemented by an ecosystem of incubators, startups, and entrepreneurial specialization. The larger technology companies in Silicon Valley and elsewhere now frequently pursue R&D through the acquisition of start-up companies and their products. Following such an acquisition, the large companies can bring innovations to the market more quickly. At the same time, the companies' acquisition expenditures provide capital to the innovators, spurring further research and new product development. The pharmaceutical sector is following this same trend.

A few weeks ago, the Deloitte Center for Health Solutions, which is the research division of Deloitte's life sciences and healthcare practice, released its sixth annual report examining the pharmaceutical industry's return on R&D investment. The conclusions were dramatic, and very consistent with Valeant's experience and strategy. Deloitte found that, in the past two years, "smaller companies are delivering higher R&D returns" than 12 of the largest research-based life science companies. These smaller companies reported a 25% lower average cost to develop a new product and a 340% higher internal rate of return on their R&D spending. In contrast, the R&D internal rates of return for the 12 large research-based life science companies declined from 10.1% in 2010 to 4.2% in 2015.

Deloitte concluded that smaller companies "may be better at integrating the most innovative science due to their smaller and more nimble R&D organizations." This is certainly true at Valeant. We have purposely created a streamlined, nimble in-house R&D operation that efficiently brings promising products to market, both from our internal R&D and from our acquisition of external R&D assets. This model is helping to serve patients, as Valeant brings new and better products to market. As the Deloitte study highlights, the pharmaceutical industry is moving in this direction as well.

Finally, the Deloitte study noted that given the weakening performance of their internal R&D operations, large life science companies "are now more likely to return cash generated to shareholders via a combination of dividends and share buybacks than they are to invest in company acquisitions, product licenses and internal R&D." In contrast, Valeant has not paid a dividend to shareholders in more than five years. We have chosen instead to reinvest our profits in R&D, manufacturing expansion, and acquisitions of new products.

For example, Valeant is investing substantially in manufacturing in the United States. Valeant has 16 manufacturing sites throughout the United States, with our largest facilities in Rochester, New York; Greenville, South Carolina; St. Louis, Missouri; Tampa, Florida; and Clearwater, Florida. We are currently expanding our investments in Rochester, Greenville, and St. Louis.

Before its acquisition by Valeant, it is our understanding that Bausch + Lomb intended, over time, to move its contact lens manufacturing facilities from Rochester to Ireland. Valeant took a different approach. Given its talented workforce and strong contact lens R&D group, we decided to retain our contact lens manufacturing facility in Rochester and also to expand our investment. Since that decision, we have invested more than \$250 million in capital and expanded our manufacturing work force by nearly 200 employees in Rochester. To provide

additional support for four new product lines for Bausch + Lomb's popular Ultra contact lenses and other contact lens projects, over the next five years we expect to invest almost \$500 million more and add approximately 630 jobs in Rochester, including many highly skilled engineering and manufacturing jobs.

Last fall, our Greenville plant celebrated the production of its four billionth bottle of eye care solution. In Greenville, we expect to spend approximately \$150 million over the next five years, creating between 150 and 200 jobs. The jobs that Valeant is creating are the result of our growing sales, both within and outside of the United States. In St. Louis, since acquiring Bausch + Lomb, we have made significant capital investments, and we expect to develop the next generation of our cataract and retina surgery equipment at the facility.

From the United States, Valeant exports to more than 100 countries, including countries like China that are traditionally viewed as lower-cost manufacturing centers rather than export markets. As a percentage of revenue, the products we manufacture in the United States and Canada represent more than twice the revenue generated by products we manufacture in the rest of the world, and this share is increasing. We are proud to be reinvesting our earnings to strengthen American exports while expanding skilled manufacturing and R&D jobs in the United States.

Nitropress and Isuprel

I would like to address the Committee's specific concerns regarding Nitropress and Isuprel, which are two of the approximately 1,800 products sold by Valeant (comprising about 4% of our 2015 revenue). Although broad conclusions about Valeant cannot be drawn from the pricing history of any one drug or set of drugs, I understand your concerns, and I therefore want to provide the Committee with detailed information concerning these two drugs. In addition to this written testimony, we have produced thousands of pages of supporting data to the Committee concerning the two drugs.

Nitropress and Isuprel are used in cardiac care. Nitropress is an antihypertensive (it lowers blood pressure) that immediately addresses blood pressure for patients in hypertensive crisis or acute congestive heart failure. Sodium nitroprusside, the active ingredient in Nitropress, was first introduced during the nineteenth century, and the product is therefore not on patent.

Isuprel is indicated for mild or transient episodes of heart block that do not require shock or pacemaker therapy and for certain serious episodes of heart block and Adams-Stokes attacks, among other uses specified in its label. Isoproterenol, the active ingredient in Isuprel, was patented in 1943, and therefore has been off patent for several decades.

It is important to note that Nitropress and Isuprel are administered by healthcare professionals in clinical settings, primarily hospitals. They are not sold to patients at a traditional consumer pharmacy. Moreover, Nitropress and Isuprel are mostly used as part of a larger hospital procedure. They normally are not administered as stand-alone treatments.

Valeant acquired Nitropress and Isuprel from Marathon Pharmaceuticals in February 2015. Prior to that acquisition, Marathon had engaged an outside pricing consultant to study the market for these two drugs. We understand that the pricing consultant examined the uses of the

drugs, interviewed healthcare professionals, studied the then-current pricing and reimbursement rates for hospital procedures in which these drugs may be used, and reviewed the drugs' price history. In a report to Marathon in 2013, the consultant concluded that the prices of Nitropress and Isuprel, even after prior price increases, were still substantially below their true value to hospitals and patients. The "bundled" rates at which hospitals were being reimbursed by health insurance payers for the procedures in which they were used were substantially higher than the price of either drug. The consultant recommended a 250% increase in the list price of Nitropress and a 350% increase in the list price of Isuprel. Marathon took overall price increases totaling 350% for each of Nitropress and Isuprel in 2013.

In the case of a hospital-administered drug like Nitropress and Isuprel, a pharmaceutical manufacturer typically will sell to a wholesaler and the wholesaler will sell to a hospital pharmacy (or other buyer, such as a hospital group purchasing organization, which typically negotiates a discount on behalf of the hospitals). Following a medical procedure, the hospital typically will seek reimbursement from the patient's health insurance provider, such as a commercial payer or a federal healthcare program. In many cases, there are separate limitations on the amount that the payer, whether an insurance company or federal program, pays for a drug. For example, an insurance company may have a contract with the pharmaceutical manufacturer that limits the amount that the pharmaceutical company can charge for its product. If the reimbursed price is greater than this contracted amount, the pharmaceutical company will "rebate" the difference to the insurance company, with the effect of lowering the net cost of the drug.

Certain federal programs are likewise subject to a variety of limitations that restrain the price that a pharmaceutical company can actually charge for a drug, regardless of the list price. The short-term changes in the price of any input for the procedure – whether it is a drug, the hospital's overhead, or the cost of doctors and technicians – often does not immediately change the reimbursement amount, although the amount may be adjusted over time.

In the specific case of Nitropress and Isuprel, we understand that the drugs most often are used by hospitals and other care providers as part of procedures that are subject to their own overall pricing caps. The specific price that a hospital is reimbursed for the procedure – often referred to as a "bundled" rate – is derived from an approximation of the wide variety of costs associated with the products and services, including the costs of various drugs, personnel, equipment, and overhead typically incurred in the average procedure. Those bundled reimbursement rates may vary by patient condition, procedure, and payer. Importantly, however, the amount that a hospital is reimbursed for a procedure that includes Nitropress or Isuprel generally will be the same regardless of short-term changes to the prices of the individual drugs. Of course, the reimbursement amount to hospitals may change over time as commercial insurance companies and federal programs adjust their formulas, including the Centers for Medicare & Medicaid Services' ("CMS") "Ambulatory Payment Classification" rates for outpatient services and "Diagnosis-Related Group" rates for inpatient treatments. Even then, however, the reimbursement rates continue to be adjusted based on the average cost of the procedure as a whole, not the price of any particular drug.

A price increase or decrease for a drug that is a component in a larger procedure therefore may have an attenuated impact, if any, on the reimbursement rates approved by CMS and other

payers for that procedure. Those rates are adjusted gradually over time based on many factors. In the case of Nitropress and Isuprel, which face likely near-term competition from generic versions of both drugs that will place downward pressure on average prices, it is far from clear that the increase in the price of the branded versions of those drugs ultimately would increase hospital reimbursement rates for the procedures in which they are used.

During the acquisition of Nitropress and Isuprel from Marathon, Valeant commissioned an update of the pricing consultant's earlier review of the market, which was nearly two years old at that point, along with other assessments of the market and hospital practices. These analyses showed that Nitropress and Isuprel continued to be very valuable to hospitals and patients, including following the price increases instituted by Marathon. The pricing consultant found, for example, that the volume of Nitropress and Isuprel used by hospitals had been relatively constant over one year of data, indicating that the hospitals continued to value the products highly at the new list prices.

The consultant also confirmed that, under the existing CMS-established hospital reimbursement rates for the procedures in which Nitropress and Isuprel are used, there was considerable room to increase the price of both drugs. In other words, the consultant found that hospitals were receiving from federal payers, and likely commercial payers, payment amounts for the typical procedures in question that were significantly higher than the cost of the drugs used, and they had been doing so for some time. Because these drugs are hospital-administered, and not purchased by patients directly, increasing the cost of the drugs to hospitals would affect the hospital's profits on these procedures, but it should not reduce patient access.

Because most institutions use only a limited number of Nitropress and Isuprel doses, Valeant's increases in the list prices would have had a limited impact on most hospitals. A few institutions that specialize in cardiac care, however, use a larger share of the volume. For this reason, and in response to the concerns that Congress and others raised, Valeant has created a volume-based price rebate program for Nitropress and Isuprel through arrangements with the leading hospital group purchasing organizations in the United States. We recently concluded agreements with two major national group purchasing organizations – one representing approximately 3,600 U.S. hospitals, the other representing about 4,500 U.S. hospitals. These agreements provide volume rebates for Nitropress and Isuprel up to 30% (for 500 units or more of Nitropress and 20 units or more of Isuprel). Our goal is to provide tiered rebates on half of the volume of Nitropress and Isuprel that we sell. This means that hospitals that have an atypical need for Nitropress and Isuprel because of the size of their cardiac practices will have access to significant volume discounts.

Drug Pricing in the United States

In the U.S. healthcare system, the list price of a drug is not the same price that a drug manufacturer receives from selling the drug, or even that the hospital, pharmacy, or consumer pays for the drug. The list price operates much like the manufacturer's suggested retail price of a new car. It is a useful reference, but it reflects neither the price that is actually paid by any given car buyer nor the amount that is ultimately received by the car manufacturer for the sale. Like MSRP, the list price of drugs is typically much higher than the amount that a buyer pays.

In the pharmaceutical industry, this difference can be substantial – far more than the difference between a car’s MSRP and its sales price. For Valeant’s overall U.S. prescription products, the difference between our gross and net sales is approximately 50%. That is, for each dollar of sales, about half is given back in discounts, rebates, chargebacks, and the like to wholesalers, managed care organizations, pharmacy benefit managers, federal and state healthcare programs, and others. In dermatology, one of the company’s most significant market segments, the overall effective discount is even higher – about 60% and some individual drugs have discounts up to 90%.

In certain federal healthcare programs, Congress has established requirements that restrict the prices that drug companies can charge. These restrictions lower drug company margins and sometimes result in drugs being sold at a loss. For example, as of September 2015, Valeant’s gross sales of Isuprel in the VA’s Federal Supply Schedule were \$10.8 million, but the discounts totaled \$9.9 million. After accounting for applicable distribution costs, Valeant’s total net revenue was only about \$300,000. In the same period, gross sales of Isuprel to the Public Health Service were \$48.7 million, with discounts of \$47.7 million. After distribution costs, Valeant realized negative net revenue of approximately \$2.2 million on these sales. Similarly, Valeant had negative net revenue of \$3.5 million on the sales of Wellbutrin XL to the Public Health Service, and negative net revenue of \$4.5 million on sales of Glumetza to Medicaid.

Although the pharmaceutical pricing and reimbursement system in the United States is complex, the pharmaceutical companies, health insurance providers, hospitals, pharmacy benefit managers, group purchasing organizations, and federal administrators are all sophisticated participants in the healthcare market. If a pharmaceutical company, for example, were to price a drug above its true value to healthcare providers and patients, the company would see market-based responses, including increased pressure for rebates from the payers, decreased sales volumes from hospitals, increased substitution of alternative products, and heightened competition from new generic or branded drugs.

Indeed, Nitropress and Isuprel sales volumes have fallen by a greater degree – about 30% for each drug – than was anticipated at the time of the price increase. The available data suggests that hospitals are in some cases substituting other drugs. In response to these changes and the public’s and Congress’s concerns, we are calibrating our pricing through volume rebates, which should help address budgetary concerns at hospitals that frequently use these drugs. Even with the volume rebates, some hospitals may choose to substitute other drugs to protect their profit margins on cardiac procedures or for other reasons.

Off-patent drugs like Nitropress and Isuprel also face market pressure from generic drugs, and Valeant expects that both drugs will likely be subject to generic competition in the not-too-distant future. It appears that this generic competition was spurred by the price increases taken by Marathon Pharmaceuticals on Nitropress and Isuprel, which highlighted the value of these drugs to hospitals even before their acquisition by Valeant. As Congress has recognized, there is a degree of inefficiency in the generic drug market, and competition from generics is not always immediate. These inefficiencies sometimes cause instances, such as currently exists with Nitropress and Isuprel, where clinically valuable drugs are subject to little price competition despite being off-patent. This is probably most true in the case of drugs for which the market is relatively small, as is true of Nitropress and Isuprel. Because Valeant itself files applications for

new branded drugs as well as generic drugs, we too would benefit from faster FDA drug approvals. We also recognize that the benefits of faster drug approvals must be balanced with the exceedingly important process that the FDA undertakes to ensure the safety and efficacy of drugs in the U.S. market, and we support ensuring that the FDA has sufficient resources for this important work.

While there is widespread criticism in the media and in Congress of price increases for older, off-patent drugs – and we understand why – it is important to recognize that patients, doctors, and the entire U.S. healthcare system are best served by a system that permits drugs to be priced based on their clinical value. Older drugs sometimes languish for long periods at prices that do not reflect their value to doctors and patients. When these drugs are priced to reflect more closely their true clinical value, the more accurate price signals incentivize generic competition and innovation. Higher prices draw generic competitors into the market, which in turn tends to put significant downward pressure on prices.

This is exactly what we have seen happening in the case of Nitropress and Isuprel. The rising prices of these drugs over the past decade, including by Marathon before Valeant acquired the products, have stimulated market competition and innovation. We expect that multiple generic alternatives could be approved within the next year or two. These generic alternatives can be expected to put significant downward pressure on the cost of hospital procedures in which Nitropress and Isuprel are currently used.

Patients' Access to Medicines and Valeant's Partnership with Walgreens

Nitropress and Isuprel are hospital drugs, typically administered in a clinical setting, as part of a procedure with a set, bundled reimbursement rate. Patients' out-of-pocket expenses, therefore, generally are not affected directly by price changes. Valeant, however, recognizes that many of its products are purchased directly by patients at a retail or mail-order pharmacy. We have therefore implemented a number of strategies that are designed to ensure that patients' out-of-pocket expenses are not an impediment to getting access to the medicines that they need.

First, Valeant offers patient assistance programs for more than 55 different products in the United States. One of our larger programs, Valeant Coverage Plus, provides extensive aid to patients needing financial assistance to purchase Syprine or Cuprimine, medications that treat the genetic disorder Wilson's Disease. Valeant Coverage Plus provides a capped co-pay for patients with commercial insurance (\$25 co-pay), subsidized prescriptions for patients without insurance or with low incomes (maximum patient cost of \$200 per month above 400% of poverty line; \$0 co-pay below 400% of poverty line), and referrals to a foundation that provides prescription support for patients in federal health programs. The foundation, which is supported in part by a Valeant grant, independently determines a patient's eligibility for support, pursuant to its own criteria. Valeant also provides hardship exceptions in certain cases. With fewer than 1,000 patients in the United States taking these drugs, we seek to ensure that out-of-pocket costs are not a barrier to a patient's access to these needed medicines.

It is an unfortunate reality of U.S. healthcare laws that pharmaceutical companies cannot provide co-pay assistance to individuals on government programs – some of the patients with the

most acute need for assistance. We encourage Congress to re-examine this policy and consider whether changes are warranted.

In 2014, Valeant spent approximately \$544,000,000 on patient assistance programs. As of September 2015, the company had spent approximately \$476,000,000 on patient assistance, and we estimate that our total expenditure for patient assistance for 2015 will be more than \$630,000,000. In the years ahead, we expect our spending on patient assistance programs to continue increasing at double-digit annual percentage rates. With our expected continued growth and launches of brodalumab, Addyi (flibanserin), and latanoprostene bunod, we expect to spend more than \$1 billion on patient assistance in 2016 in the United States.

Second, almost a month ago, we launched a major new program with Walgreens, one of the largest, best known, and most well-respected pharmacy chains in the nation. The Valeant Access Program with Walgreens will provide substantial savings for eligible patients purchasing both branded and generic prescription drugs at pharmacies throughout the United States. The program with Walgreens is a 20-year partnership designed to increase affordable access to Valeant products that doctors choose to prescribe to eligible patients. This innovative program will improve patients' access to medicines and reduce costs to the healthcare system. Independently, Walgreens has retained Leavitt Partners, headed by former Health and Human Services Secretary, and former Utah Governor, Michael Leavitt, to assess the model and evaluate its benefits to patients and markets to ensure it is delivering value.

Our partnership with Walgreens has two distinct components:

The U.S. Branded Access Program, which became active last month, will enable consumers to access a majority of Valeant's dermatology, ophthalmology, and women's health products at a lower out-of-pocket cost from more than 8,000 Walgreens retail pharmacy locations in the United States. The program will also be open to independent retail pharmacies, in addition to Walgreens. The program will initially cover a majority of Valeant's branded dermatology, ophthalmology, and women's health products, including popular medicines such as Jublia, Solodyn, Retin-A Micro 0.08, Besivance, Lotemax, and Alrex, along with Addyi.

This program is designed to lower patients' costs and ensure that patients have access to the products their doctors prescribe. Patients with commercial insurance can benefit from lower out-of-pocket costs, such as reduced co-pays, and the program will provide access for patients who lack coverage for these products. The program will provide a price reduction of approximately 10% from the list price, on a weighted average basis, over the next six to nine months. Like our other patient assistance programs, the program will not be available to patients with government insurance because of government restrictions relating to federal healthcare programs.

The U.S. Brand for Generic Program is a separate initiative with Walgreens, in which Valeant will make certain branded products available at generic prices. A number of branded products in the dermatology, ophthalmology, gastrointestinal, neurological, and other therapeutic areas will potentially be included in the program, which we expect to launch in the second half of this year. We expect that the discount off of list price for these products will be up to 95%, with

a weighted average discount of approximately 50%. I'm pleased that we can make this program available to all patients, including those in federal healthcare programs, under current law.

When fully implemented, Valeant expects that the price decreases across both programs will result in significant savings to the U.S. healthcare system. Our agreement with Walgreens is another example of Valeant's efforts to innovate in ways that benefit patients and doctors.

Finally, Mr. Chairman, I would like to address some of Valeant's critics who have suggested that the company should be subject to a different set of standards because it does not always operate like a traditional pharmaceutical company. I noted recently that a pharmaceutical trade group proposed five criteria by which it suggested pharmaceutical companies should be judged: 1. Whether the company is developing life-changing medicines for patients. 2. Whether the company has a commitment to discovering new treatments and cures. 3. Whether the company is fueling economic growth and job creation. 4. Whether the company maintains a robust pipeline of new medicines. 5. Whether the company helps patients access needed medicines.

As demonstrated in the many examples cited in my testimony today, Valeant passes each of these five tests easily. Let me summarize my testimony with reference to these five tests:

1. In the last three years, the FDA has approved 6 new drug applications for Valeant and issued 13 new device approvals. In the past two years, Valeant has launched 76 new prescription drugs, generic drugs, medical devices, and other products in the United States.
2. We have 43 R&D facilities and employ more than 1,000 R&D employees.
3. We are investing hundreds of millions of dollars in manufacturing facilities in New York, South Carolina, and Missouri. These investments are generating hundreds of new jobs in the United States.
4. Our development pipeline in the United States contains more than 200 active programs, more than 100 of which are significant, including programs for 32 surgical products, 26 consumer products, and 15 dermatology products.
5. We offer patient assistance programs for more than 55 different products in the United States, and we expect to spend more than \$1 billion on patient assistance in 2016 in the United States. We are currently launching an innovative distribution model with Walgreens.

Valeant is helping to improve access to drugs at affordable prices and seeking better outcomes for our R&D investments. My Valeant colleagues and I are proud of these innovations, as we believe strongly that they will define the future for innovative, research-based companies in the pharmaceutical industry. As Deloitte's recent R&D study shows, the industry is moving in this same direction.

At the same time, we recognize that being an innovator also means that some of our assumptions and choices will not always prove to be correct. Where we have made mistakes, we

have listened to the criticism and are taking steps to change. We have more to do. We continue to listen and adapt. Our Walgreens partnership is evidence of that. I also expect that after years of rapid growth, which included significant price increases, we will no longer rely on such significant increases in price. Through internal development and acquisitions, we have developed a portfolio of world class franchises. While, like most other pharmaceutical companies, we will from time to time raise prices, I expect those price increases to be within industry norms and much more modest than the ones that drew this Committee's legitimate concern.

Thank you again for the opportunity to testify today. I would be happy to answer any questions that you may have.