

## **Pharmaceutical Price Restraint 2011 – Johnson & Johnson**

**WHEREAS:** The cost of brand name drugs, some of them our Company's, have skyrocketed in this country in recent years;

The Government's General Accountability Office (GAO) found that between 2000-2008, 416 brand-name drugs had "extraordinary price increases"; most of these increases ranged from 100% to 499%;

Medco's 2010 Drug Trend Report found that, while generic drug prices increased 0.3%, "inflation in branded drugs accelerated to an all-time high of 9.2%" and that the prices of specialty drugs increased 14.7%;

The Office of Actuary, Centers for Medicare and Medicaid Services projects that prescription drug expenditures will increase in 2018 92.7% from 2008 expenditures, exceeding all major categories of national health expenditures. It states: "Prescription drug spending is expected to be the fast growing component of Medicare over the projection period";

AARP's Public Policy Institute reported that the price of brand name prescriptions most widely used by Medicare beneficiaries increased by 9.7% in the 12 months ending with March 2010 and was much higher than the rate of increase observed during any of the prior eight years (2002-2009). While inflation rose 0.3% during this period, price increases for such drugs ranged from 5.3-9.3%;

AARP has also stated that the positive goals of the new health care reform law "could be eroded over the years if escalating drug prices are not addressed";

While passage of health reform legislation was a major achievement, there are ongoing concerns as to its long-term affordability and accountability for controlling costs. Failure to control costs could undermine the goals of health care reform, i.e. accessible and affordable health care for all;

This resolution's sponsors are not satisfied that the Company has made a clear case offering fiscal and moral justification for such exorbitant price increases. Neither has it given sufficient assurances that the present pattern of increases that far exceed the Consumer Price Index will not continue.

**RESOLVED:** Shareholders request that the Board of Directors create and implement a policy of price restraint on branded pharmaceuticals, utilizing a combination of approaches to keep drug prices at reasonable levels, such as an increase that would not exceed the previous year's Consumer Price Index, and report to shareholders by September 2011 on changes in policies and pricing procedures for pharmaceutical products (withholding any competitive information, and at reasonable cost).