



The biopharmaceutical industry delivers innovative treatment options for people with life-threatening medical and difficult-to-treat conditions every year. Yet when it comes to paying for these treatments and enabling equitable access for every patient, our reimbursement system has not kept pace with the science.

The current state of our healthcare system is not working for patients and there remains a critical need to address the many systemic issues along the delivery chain to make health care more affordable and accessible for everyone. To maintain a science-driven infrastructure that can meet the needs of patients today and in the future, we must get to the root cause of the problems and push for transparency and accountability at every step in the process.

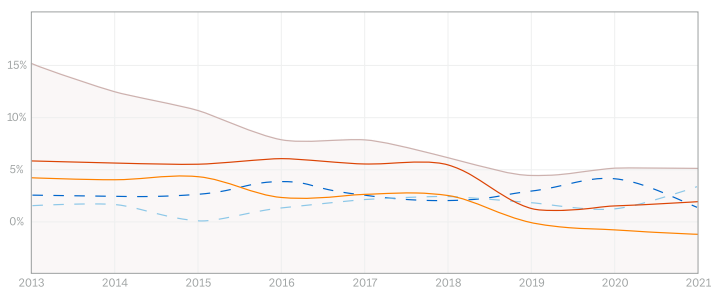
ACCOUNTABILITY AND ACTION

Genentech has sought to be a leader in advocating for drug pricing reforms and making mindful pricing decisions. We take the responsibility of pricing our medicines very seriously, carefully considering the value they bring to patients and society, the critical importance of getting them to those who need them and our ability to sustain R&D investments that will drive the next medical breakthroughs.

We are committed to responsible pricing actions and believe accountability starts with the initial price set by the manufacturer of a medicine. We have priced our last 16 innovative medicines at or below other available medicines approved by the U.S. FDA to treat the same disease. Over the lifecycle of a medicine, we continuously invest in research to generate clinical data to support the price.

As new breakthrough medicines get approved that deliver more benefits to patients and society, those advances will result in healthy competitive market dynamics that will bring about a decline in drug prices. The availability of more therapies, including biosimilars and generics, should deliver savings to the healthcare system overall and ensure patients and doctors have important choices in the medicines they receive.

A benchmark we follow closely is our Weighted (by sales) Average Portfolio Price Increase (WAPPI), which measures the amount of price change across our portfolio over the course of a year.



Genentech Gross and Genentech Net Weighted (by sales) Average Portfolio Price Increases compared to the Weighted Average Price Increases for Top 20 Pharmaceutical Products, Consumer Price Index-Urban (CPI-U) and CPI-Medical, 2013-2021

With this calculation, we can see how Genentech's price changes compare to the industry and standard measures of inflation. As the chart reflects:

- Historical weighted average price increases for the top 20 pharmaceutical products have gradually decreased over the past few years to more closely align with inflation
- Genentech's net WAPPI, which accounts for discounts and rebates and more accurately reflects the price society pays for our medicines, has been trending downward for several years
- Genentech has been committed for several years to keeping our average gross and net price increases, weighted by sales across our portfolio, in line with or below inflation

SYSTEMIC FLAWS AND MISALIGNED MARKET INCENTIVES

One of the biggest challenges of our time is to ensure people have rapid, broad and sustainable access to life-changing medicines regardless of their gender, race or socioeconomic status. But competing incentives across the drug delivery and distribution supply chain often result in a healthcare system that is expensive and inequitable.

There is a lack of transparency in our healthcare system which complicates true drug pricing reform. While a medicine's list price is the starting point, it does not represent the final cost to the healthcare system or patients.

Several intermediary stakeholders may drive the actual price up or down substantially. As a medicine enters the delivery supply chain, it can be subject to a significant markup at the point of care as well as negotiated discounts and rebates.

However, even with responsible pricing actions, declines in prescription-drug prices and billions of dollars in discounts and rebates, patient out-of-pocket costs are still rising and access challenges persist. Many patients face steep costs for their health care and are forced to make difficult financial trade-offs or forgo treatment altogether.

MISALIGNED OR COMPETING INCENTIVES ACROSS THE HEALTHCARE SYSTEM CAN OFTEN RESULT IN:

- Price markups that are non-transparent and not based on the value of the medicine
- Discounts and rebates that are not passed directly along to patients
- Incentives that are at odds with doing what is optimal for patient care

GENENTECH IS COMMITTED TO SUPPORTING:

- Reforms that require meaningful transparency to provide beneficial information to patients, enable choice and lower costs
- Rebate reform geared toward reducing patient out-of-pocket costs and ensuring affordable access to the most appropriate care
- Insurance designs policies that ensure cost and benefit structure is not a barrier to access nor the most appropriate care

THE PATH FORWARD

As long as patients are unable to afford or access the treatments they need, common-sense, patient-centered reforms must be a priority for everyone — from ourselves in the pharmaceutical industry to the hospitals, health insurers, pharmacy benefit managers, policymakers, employers and patients. Every entity that influences the price of a medicine has a responsibility to propose ideas and support solutions that preserve innovation while lowering costs.

We believe responsible pricing actions combined with innovative payment models and new market competition mechanisms will effectively drive down costs. For example:

- Value-based arrangements could lead to more flexible reimbursement mechanisms that would allow for differential pricing better aligned to the value a medicine brings to patients and society to help lower drug prices and improve patient outcomes
- New clinically appropriate, free-market competition mechanisms and strategies could boost competition and bring savings to patients and the government

Genentech has long advocated for these changes and other drug pricing reforms — and we stand ready to be part of the solution.

INVESTING IN INNOVATION

\$15 billion INVESTED GLOBALLY IN R&D IN 2021

\$60 billion INVESTED GLOBALLY IN R&D OVER THE PAST 5 YEARS

39 BREAKTHROUGH THERAPY DESIGNATIONS GRANTED SINCE 2013

22 NEW MEDICINES LAUNCHED OVER THE LAST TWELVE YEARS

SUPPORTING PATIENT ACCESS TO OUR MEDICINES

2.8 million PEOPLE HELPED THROUGH GENENTECH PATIENT ASSISTANCE PROGRAMS OVER THE PAST 30 YEARS

60,000 ELIGIBLE PATIENTS WERE PROVIDED FREE MEDICINE BY GENENTECH PATIENT FOUNDATION IN 2021

400,000+ ELIGIBLE PATIENTS WERE ENROLLED IN GENENTECH CO-PAY ASSISTANCE PROGRAMS IN 2021

\$8 billion IN DISCOUNTS, REBATES AND FEES PROVIDED TO MULTIPLE STAKEHOLDERS IN THE HEALTHCARE SYSTEM IN 2021

*“At Genentech, our goal is to ensure that **every patient in the US has affordable and equitable access to our medicines**. Our business is based on a sustainable pricing model that aims to reflect the value our medicines bring to patients and the overall healthcare system.*

*That said, more than 50% of the costs of medicines to patients are not associated with the medicines themselves, but in how they are delivered, administered and paid for – and this cost to patients keeps growing. Therefore, **our top policy priority is to partner with stakeholders to substantially lower out-of-pocket costs for patients through comprehensive and systematic health care reform.**”*

— Fritz Bittenbender, Senior Vice President,
Access & External Affairs, Genentech

To learn more about our pricing philosophy, our commitment to responsible pricing actions and to supporting meaningful reforms that will lower cost for patients and the government, while preserving scientific innovation, visit www.gene.com/the-science-of-pricing.

Genentech
A Member of the Roche Group

