



OPERS Ohio Public Employees Retirement System

277 East Town Street Columbus, Ohio 43215-4642 1-800-222-PERS (7377) www.opers.org

April 14, 2006

Federal Trade Commission
Office of the Secretary, Mr. Donald S. Clark
Room H-135 (Annex J)
600 Pennsylvania Ave. N.W
Washington, DC 20580



Re: Authorized Generic Drug Study: FTC Project No. P062105

Dear Secretary Clark,

We appreciate the opportunity to provide comments on the proposed Authorized Generic Drug Study. Ohio Public Employees Retirement Systems (Ohio PERS) is the 10th largest pension system in the United States providing health benefits for 200,000 Ohio retirees and beneficiaries. Our health care plan incurs \$1B in annual expenses with \$400M spent on prescription drugs. Similar to other payers, we have experienced inflationary pressures that have limited our ability to pay for healthcare beyond 17 years- and we must find both governmental and private marketplace solutions to increase our solvency. We cannot do this alone.

One of the most visible culprits of healthcare inflation is the escalation of brand drug prices. Our analysis has shown for the past five years, Ohio PERS's inflation of top brand drugs for retirees has outpaced the CPI index by 137%, almost two and a half times the CPI. For the past two years, inflation has cost Ohio PERS approximately **\$40M** in additional costs.

Therefore, we endorse the FTC to elucidate whether this practice impedes competition from the generic drug manufactures resulting in higher Rx costs for payers.

Furthermore, our understanding of pharmaceutical-economic logic supports the study based on the following:

- Adequate brand and generic market competition produces lower drug costs.
- Generic manufacturers need proper financial incentives to produce branded medications *immediately* upon patent loss- a win for the payer and the member.
- Brand drug manufacturers should be rewarded for innovation of new drugs and not exploit the patent protection system. The practice of authorized generic drugs is really another revenue stream that may not directly yield societal benefits.
- Potential restraint of multiple generic drug manufacturers competing may unnecessarily elevate unit drug prices. The unit prices and the marketing tactics of authorized generic drugs must be evaluated.

In closing, the FTC's initiative to conduct this study is appreciated and we trust the results will be of value to both large and small health payers to assist with health policy decisions in the near future. If it is confirmed this practice by brand drug name manufacturers hinders trade and compounds or prolongs drug inflation, we support proper marketplace pressure and federal intervention as necessary.

Please feel do not hesitate to contact me for clarification or any other matter related to Authorized Generic Drug practices.

Sincerely,

Scott Streator, R. Ph, MBA
Director of Health Care
Ohio Public Employees Retirement System

SS/kt