

United States Senate
Washington, DC 20510-1304

October 4, 2016

Todd Smith
Chairman and Chief Executive Officer
Novum Pharma
640 N. La Salle Drive, Suite 670
Chicago, Illinois 60654

Dear Mr. Smith:

I am concerned with the repeated and significant price increases for three of Novum's skin condition treatments and request further clarification and justification regarding these price hikes.

In March 2015, Novum purchased three topical medications used to treat various skin conditions. It is my understanding that within two months of purchasing Alcortin A – a gel used to treat dermatitis and eczema – your company raised the price for a 48-gram tube from \$226 to \$2,995. Not content with this 1,225 percent increase, Novum again raised the price in January of this year and then again earlier this month. Today – three massive price hikes later – Alcortin A has a list price of \$9,561 per tube. This represents a 4,130 percent price increase since Novum purchased this product a little over a year ago.

Prices for the two other products purchased by your company last year had similar fates. A 60-gram tube of Aloquin – used to treat eczema and acne – went from \$241.50 to \$9,561. And a 29-gram tube of Novacort – an ointment used to treat skin inflammations – went from \$4,186 to \$7,142. What is additionally egregious about this particular situation is that your company is charging nearly \$10,000 a tube for two products – Alcortin A and Aloquin – that the Food and Drug Administration (FDA) has determined only to be “possibly effective.”

To help better understand the increasing cost of these three products, please provide a response to the following questions as soon as possible, but no later than October 11, 2016:

- 1) It is my understanding that Novum purchased these three fully developed treatments from Primus Pharmaceuticals last year. Please explain the justification behind your company's decision to impose enormous price hikes on all three of these products, which have resulted in massive price tags for these treatments.
- 2) What has been the total cost of Alcortin A, Aloquin, and Novacort to both commercial health insurers and federal health programs for prescriptions filled by consumers since Novum acquired the products?
- 3) Since its acquisition, what have been Novum's profits from the sales of Alcortin A, Aloquin, and Novacort?

- 4) Since its acquisition, how much money has Novum spent on manufacturing, purchasing active pharmaceutical and other ingredients, distribution, marketing and advertising, physician outreach and education programs, and research and development for these three products?

Last year, we saw the price of Daraprim – a 63-year old drug used for malaria and toxoplasmosis often used by HIV/AIDS patients – increase from \$13.50 to \$750 a pill. Earlier this year, we saw the price of EpiPen – a medical device that, in one form or another, has been around since the 1970s and which is used to combat extreme allergic reactions – rise to more than \$600 for a two-pack when it had previously been available for less than \$100. We have seen the prices for insulin – used to help regulate glucose levels in diabetic patients – rise from \$4.34 per-milliliter in 2002 to \$12.92 per-milliliter in 2013. We have seen prices for naloxone auto injectors – used to reverse the effects of an opioid overdose – rise from \$690 for a two-pack in 2014 to \$4,500 this year. And now, we are seeing huge price increases for dermatology treatments – including ones sold by your company. As I am sure you are aware, these rising prescription drug prices impose huge costs on the health care system overall and directly contribute to rising health insurance premiums.

There seems to be no justifiable reason for price increases or sales prices of this magnitude for many of these products – and consumers, payors, and members of Congress are fed up. If the pharmaceutical industry is unwilling or unable to reasonably price their products in a way that both protects access for patients in need and does not place an unnecessary financial burden on our health care system, then Congress must step in and act. I look forward to your immediate attention to this issue and to receiving your response no later than October 11.

Sincerely,



Richard J. Durbin
United States Senator