

PRESCRIPTION MEDICINE PRICING

OUR PRINCIPLES AND PERSPECTIVES

We at Sanofi work passionately, every day, to understand and solve health care needs of people across the world. We are dedicated to therapeutic areas such as diabetes, cardiovascular disease, immunology, oncology, multiple sclerosis, rare disease, and vaccines. As a global health care leader, Sanofi has a long-standing commitment to promote health care systems that make our treatments accessible and affordable to patients in need.

Countries are increasingly seeking to achieve better value in health care spending. Sanofi understands and shares concerns about the affordability of medicines for patients, while also recognizing that we are one of many stakeholders in the health care system. In the U.S., medicines are a small share — about 14%* — of total health care spending. Sanofi believes that in order to maintain an ecosystem that will continue to bring new medicines and vaccines to patients, we must encourage a transition to a value-driven health care system that provides incentives for the highest-quality care. This evolution will enable both affordable access to treatment and continued investment in medical innovation.

Sanofi is committed to helping address this challenge. While many factors, including decisions affecting patient cost-sharing and coverage, are controlled by other health care players, we recognize that there are actions we can take to help improve access for patients and affordability for the system as a whole. For our part, we recognize that we must price our medicines transparently and according to their value, while contributing to broader solutions that improve patient outcomes, and to the sustainability of the U.S. health care system.



OUR PRICING PRINCIPLES: ADVANCING RESPONSIBLE LEADERSHIP

Sanofi believes that pharmaceutical innovation brings value to patients, our society, and our health care systems. Given the growing concerns over rising health care costs, our approach to pricing reflects our continued efforts to support patient access while minimizing our contribution to health care inflation². We therefore commit to greater transparency in how we price our medicines and to keeping U.S. price increases below medical inflation.

The pricing principles we put forth on the following page focus on three pillars:



CLEAR RATIONALE FOR PRICING GLOBALLY

at the launch of a new medicine



LIMITED PRICE INCREASES IN THE U.S.

on our medicines over time



GREATER TRANSPARENCY IN THE U.S.

around our pricing decisions



CLEAR RATIONALE FOR PRICING AT LAUNCH

When we set the initial price of a new medicine, we hold ourselves to a rigorous and structured process that includes consultation with external stakeholders and considers the following factors:



A holistic assessment of value, including 1) clinical value and outcomes, or the benefit the medicine delivers to patients, and how well it works compared to a standard of care; 2) economic value, or how the medicine reduces the need – and therefore costs – of other health care interventions; and 3) social value, or how the medicine contributes to quality of life, and productivity. Our assessments rely on a range of internal and external methodologies, including health technology assessment (HTA), and other analyses that help define or quantify value and include patient perspectives and priorities.



Affordability, including the steps we must take to promote access for patients and contribute to a more sustainable system for payors and health care systems.



Unique factors specific to the medicine at the time of launch. For example, we may need to support on-going clinical trials to reinforce the value of the product (e.g., longer-term outcomes studies), implement important regulatory commitments, or develop sophisticated patient support tools that improve care management and help decrease the total cost of care.



Similar treatment options available or anticipated at the time of launch in order to understand the landscape within the disease areas in which the medicine may be used.



PRINCIPLES FOR LIMITING PRICE INCREASES IN THE U.S.

We acknowledge our role in supporting the sustainability of our health care system and limiting our contribution to U.S. health care inflation. Should we take a list price increase on one of our medicines, our guiding principle is to limit the total annual increase to a level at or below the rate of medical inflation for the year.

Our benchmark is the U.S. National Health Expenditure (NHE) growth rate, as determined and published annually by the Centers for Medicare and Medicaid Services. The NHE measures health inflation retrospectively and prospectively, providing both a historical base and a critical forward-looking view needed for business planning. It measures expenditures across all health care services and reflects payments made by both public and private payers.

Once the NHE projection is updated each February, we will adjust our planned pricing

actions for the remainder of the year to reflect the new update. Given the need for business planning, we will adopt the updated standard by April 1 each year.* More information about the NHE growth rate can be found [here](#).

Should we take a price increase above the NHE growth rate for a given medicine that results in a list price increase greater than \$15 for a full course of treatment per year,* we will provide our rationale, highlighting clinical value, real world evidence, regulatory change, new data, or other circumstances that support our decision.



GREATER TRANSPARENCY ON PRICES IN THE U.S. SYSTEM

We recognize calls for greater transparency of our pricing practices. Our policy reflects a desire to help our stakeholders better understand our pricing decisions.

Our policy reflects both a desire to help our stakeholders better understand our pricing decisions and to advance a more informed discussion of issues related to the pricing of medicines. To continue this dialogue and provide greater insights about this topic, we will disclose annually our aggregate U.S. gross and net price increases or decreases. These data may help illustrate how pricing changes accrue to manufacturers versus others in the value chain, highlighting our discrete role in the broader U.S. health care environment.

While list prices often receive the most attention, they reflect only the initial prices set for our medicines and are not the prices typically paid by the insurers, employers, or pharmacy benefit managers who purchase our medicines on behalf of patients in their respective health plans. We negotiate significant discounts and rebates

with these payors, which leads to lower prices in exchange for greater access for patients.

This negotiated price is the net price. Net prices more accurately reflect the prices we are paid for the medicine, and is the most accurate gauge to measure pharmaceutical prices and applicable increases.

However, the level of discounts varies and is often not visible to patients. While our efforts focus on securing a formulary position that improves affordability and access to care, it is important to note that patient cost sharing and coverage decisions are ultimately made by payors, not the manufacturers. Simply put, the out-of-pocket payments made by patients depend on how the plan is structured and the extent of the negotiated discounts passed on to patients.

These principles demonstrate Sanofi's commitment to patient access and affordability, a sustainable health care system, and greater transparency in our pricing actions. Moreover, our position supports an environment that will enable us to continue to advance scientific knowledge and bring innovative treatments to patients worldwide.

¹ The Altarum Institute, A Ten Year Projection of the Prescription Drug of National Health Expenditures. August 2015.

² As measured by National Health Expenditures, published annually by the Centers for Medicare and Medicaid Services



**SANOFI 2018
PRICING
PRINCIPLES
REPORT:**
ADVANCING
RESPONSIBLE
LEADERSHIP

SANOFI 2018 PRICING PRINCIPLES REPORT:

ADVANCING RESPONSIBLE LEADERSHIP

In May 2017, Sanofi committed to further addressing concerns over rising health care costs with the introduction of our Pricing Principles. Our approach to the prices of our medicines reflects a continued effort to support patient access while minimizing our contribution to health care inflation. The following report outlines key 2017 pricing decisions.



CLEAR RATIONALE FOR PRICING AT LAUNCH

Dupixent® (dupilumab) – Prior to the announcement of Sanofi's Pricing Principles, the March launch of Dupixent embodied our value-based approach to pricing. The annual list price of Dupixent is \$37,000. This reflects the potential benefit that Dupixent provides in relieving the debilitating symptoms of atopic dermatitis (AD) for adults who suffer with the disease. It also reflects the economic benefit and value in reducing the costs associated with AD for patients, caregivers, insurers and employers.

Kevzara® (sarilumab) – The annual list price of Kevzara is \$39,000, which reflects the clinical value that it provides as a treatment for rheumatoid arthritis. Kevzara's list price is approximately 30 percent lower than the list price for the two most widely used TNF-alpha inhibitors.



PRINCIPLES FOR LIMITING PRICE INCREASES IN THE U.S.

In 2017, the U.S. National Health Expenditure (NHE) projected growth rate was 5.4 percent. Sanofi increased the price of 29 of our 85 prescription medicines. Twenty-eight of these increases were at or below the 2017 NHE projected growth rate.

Only one increase was above the NHE projected growth rate. This was for the Flublok Quadrivalent (influenza vaccine). The 2017-2018 vaccine list price of \$45.00 per dose (a \$5.00 increase) was based on an assessment of recent clinical efficacy data demonstrating that the Flublok vaccine delivers substantial benefit to patients compared to a standard-dose flu vaccine, largely by preventing laboratory-confirmed influenza illness.

As detailed in a *New England Journal of Medicine* publication, the Flublok vaccine was 30 percent more effective than its standard-dose quadrivalent influenza vaccine comparator in preventing lab-confirmed symptomatic flu illness in people 50 years of age and older.



**GREATER TRANSPARENCY
ON PRICES IN THE U.S. SYSTEM**

U.S. Portfolio Annual Aggregate Price Changes*

Year	Average Aggregate List Price	Average Aggregate Net Price
2016	4.0% Increase	2.1% Decrease
2017	1.6% Increase	8.4% Decrease

** Aggregate across Sanofi's prescription portfolio*

With our pricing principles in effect this past year, we have made some modest updates to our policy as we utilize these principles to guide business decisions. Two policy updates include:

- Given the NHE growth projection is updated each February, Sanofi will adjust planned pricing actions for the remainder of the year to reflect the new update by April 1 each year.
- While our guiding principle to limit total annual increases to a level at or below the NHE growth projection rate remains, we have updated our policy to state that if we take an increase above NHE “and the increase is more than \$15 for a full course of treatment per year,” we will be transparent in providing our rationale. While we understand that every dollar can make a difference for some patients, we believe this update will have minimal impact while making our principles more operational given Sanofi’s wide range of medicines from from vaccines to biologics.