

Senator NELSON. Again thank you all very much for coming. We appreciate your appearance.

Mr. CONZEN. May I thank you, Senator Nelson, for the opportunity you gave me to appear here today.

Senator NELSON. We are very pleased to have you.

Mr. CONZEN. Thank you.

(The prepared statement of Mr. Conzen follows:)

STATEMENT OF W. H. CONZEN, PRESIDENT, SCHERING CORPORATION

Mr. Chairman and Members of the Subcommittee, I am W. H. Conzen, President of Schering Corporation. Schering is an international pharmaceutical company serving the medical profession throughout the free world. Its administrative and research headquarters are in Bloomfield, N.J.; its manufacturing facilities are in New Jersey, Wisconsin, and a number of foreign countries.

We are here in response to your invitation of June 12th to appear and to answer your subcommittee's inquiry concerning the price of our product Meticorten. It is our purpose to cooperate fully so that you may hear all sides and reach a fair evaluation of the criticisms of prescription drug prices that have been made here.

In your letter to me, you asked that I discuss pricing policies and practices of our brand of prednisone. You said that "striking differences in prices of prednisone among various manufacturers" had been referred to in recent testimony before your subcommittee.

During these hearings there have been frequent references to the price of Schering's Meticorten tablets and comparisons of that price with the prices charged for so-called "generic" prednisone tablets. Obviously, the reference to "striking differences * * * among * * * manufacturers" pertains to these comparisons in the testimony.

However, so that there is no misunderstanding as to precisely what is being discussed, I believe a few words of explanation are in order as to what prednisone is, what Meticorten is, and how significant they are in the pharmaceutical field.

Prednisone is the official, or established, name of a chemical substance which was discovered by Schering research scientists in 1954. It is what is known in chemistry as a steroid, more specifically, a corticosteroid. We have developed and marketed a number of pharmaceutical products which contain prednisone and its sister compound prednisolone—14 to be exact. These products provide a variety of pharmaceutical dosage forms, many of which are offered in several package sizes. In addition to plain tablets, there are injectables, creams and ointments for dermatological use, ophthalmic preparations, and a number of combination products.

Meticorten is Schering's brand name for tablets formulated with prednisone as the active ingredient; it is a typical example of what many people have chosen to call "miracle drugs." It is used by people of all ages for the treatment of a variety of short and long term medical problems such as, allergies, asthma, arthritis, skin and eye inflammations. Elderly people with chronic arthritis represent a relatively small portion of its users.

Prednisone, in addition to being the official name for the chemical compound, is also the so-called "generic" name for pharmaceutical products made available by many generic distributors, which contain, as the active ingredient, this particular chemical substance.

Before I address myself to your specific question, I think it would be helpful if I explained for the subcommittee some of the magnitudes involved to establish the relative significance of what we are discussing.

In the first place, the domestic ethical pharmaceutical industry is estimated to have a volume of about \$3 billion at the manufacturers' level. The term "ethical pharmaceuticals" as used here refers to those products which are promoted only to the medical and allied professions, and available through pharmacies. The sales volume of *all* corticosteroid tablets totals approximately \$40 million; this not only includes prednisone, but all other corticosteroid tablets. The estimated volume of prednisone tablets is \$3 million. Consequently, this product represents $\frac{1}{40}$ th of 1 percent of this country's total ethical pharmaceutical market.

Secondly, within the pharmaceutical industry, Schering is about 16th in size, with a domestic ethical sales volume of some \$65 million. Of that total, Meticorten tablets represent less than \$1 million.