
The 2021 Janssen U.S. Transparency Report

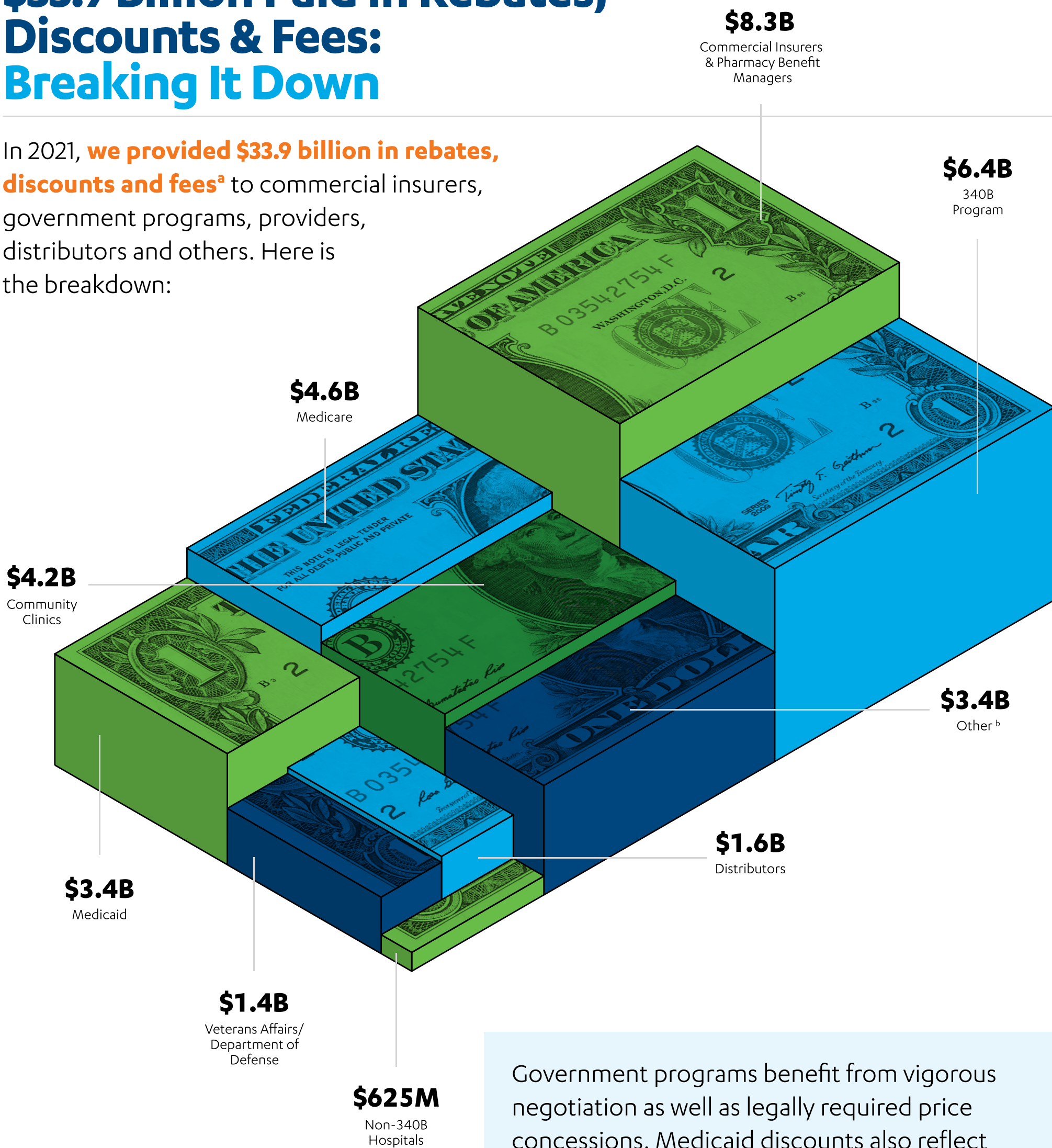
Upper Left: 3D render of bacteria under a microscope.

Bottom Left: Microscopic photograph of virus cells and microbes.

Janssen Pharmaceuticals, Inc.
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\$33.9 Billion Paid in Rebates, Discounts & Fees: Breaking It Down

In 2021, we provided **\$33.9 billion in rebates, discounts and fees^a** to commercial insurers, government programs, providers, distributors and others. Here is the breakdown:



Government programs benefit from vigorous negotiation as well as legally required price concessions. Medicaid discounts also reflect the extra, “supplemental,” rebates states negotiate with manufacturers.

a. All figures according to Janssen internal financial accounting.

b. Other: Includes Coupons/Co-Pay, programs such as Long-Term Care, ADAP (a program specific to HIV and AIDS) and other disease-specific sites of care/insurers.

2021 at a Glance

In 2021, our net prices declined for the fifth year in a row. Yet even as the net prices paid by commercial insurers, pharmacy benefit managers (PBMs) and government programs continue to decrease, **patients face ever-increasing cost-sharing burdens.**

1

Net Prices for Our Medicines Have Declined for the Fifth Year in a Row

↓ **-2.8%**

Average net price decline of Janssen medicines in 2021^a (compared to the 2021 consumer inflation rate of 7%)^b

2

Rebates and Discounts to Commercial Insurers, PBMs and Government Programs Have Grown

\$33.9B

Total amount Janssen paid in **rebates, discounts and fees** to commercial insurers, government programs and others in the healthcare system in 2021^a

3

Insurance Design Shifts More Costs to Sicker Patients



64% of covered U.S. workers face an **in-network out-of-pocket cost maximum above \$3,000**—an all-time high, up 83% since 2010 (then 35%)^c

\$28.1B

Total annual patient costs for coinsurance^d

3X

Increase in average deductible since 2006^c

4

Our Investments in R&D Continue to Grow

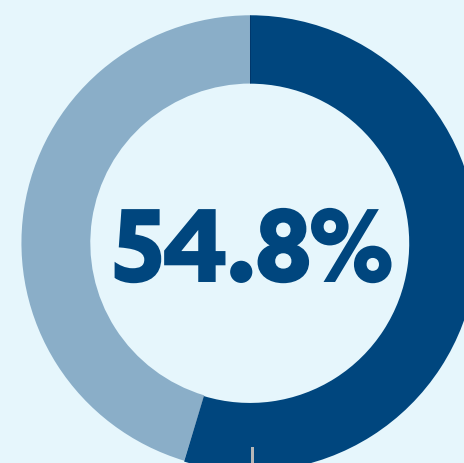
\$11.9B

Dedicated in 2021 to the **discovery and development of new treatments and cures**^a

11.2%

Average annual increase in R&D investment from 2016–2021^a

3 Facts to Know



Of the **list prices of our medicines** went to commercial insurers and others in the healthcare system^a

\$54.1B

In total R&D spending since 2016^a

1.1M

Patients who were helped with support to afford their medicines through the **Janssen CarePath Program**^a

a. Figures according to Janssen internal financial accounting.

b. Bureau of Labor Statistics. "Consumer Price Index: 2021 in Review." January 14, 2022. <https://www.bls.gov/opub/ted/2022/consumer-price-index-2021-in-review.htm>.

c. Kaiser Family Foundation, 2021 Employer Health Benefits Survey, p. 100. November 10, 2021. <https://www.kff.org/report-section/ehbs-2021-summary-of-findings>.

d. Howell, S., Yin, P. and Robinson, J. "Quantifying the Economic Burden of Drug Utilization Management on Payers, Manufacturers, Physicians, and Patients." *Health Affairs*. August 2021. <https://www.healthaffairs.org/doi/full/10.1377/hlthaff.2021.00036>.

Protecting Progress for Patients

The U.S. healthcare innovation ecosystem stands out across the world as a beacon of promise for patients. This is because the remarkable pace of innovation, applied research and advanced clinical development is enabling transformative outcomes for patients.

Recent years have seen dramatic advancements in targeted treatments for cancers, gene and novel cell-based therapies and advances in treating childhood and rare diseases. Yet, for many American families, employers and individuals, the transformational progress made to address existing and unmet medical needs is not easily or affordably accessible.

Our responsibility as a leader in the healthcare system is to bring forward actionable ideas, data and insights to help create a sustainable healthcare system. This has been a paramount principle since our first Transparency Report was released in 2016. These data and insights are critical to help inform the ongoing debate surrounding rising out-of-pocket costs for patients.

Rising costs for patients is the right issue to focus on because patients deserve affordable access to needed care and treatments. However, in specific instances, federal and state policy proposals do not address the growing “affordability gap” for patients. This gap exists because commercial insurers have increased out-of-pocket costs for patients through inadequate insurance benefit design, despite the lower net prices paid by commercial insurers and pharmacy benefit managers (PBMs).

These same policy proposals could have other unintended consequences, including:

- Directly undermining doctor-patient decision-making.
- Limiting patients’ access to needed medicines.
- Stifling research and discovery that will lead to lifesaving treatments.

This year’s report demonstrates our responsible approach to pricing, enduring investments in research and development and our continuing efforts to support affordable access to our medicines.

In this year’s report we provide updated disclosures to continue advancing the national dialogue on healthcare costs and innovation, including these six key facts:



With this data and evidence, we are providing actionable information, insights and analysis critical to helping inform policies that address the growing affordability gap, foster a patient-centric healthcare system and enable our unique ecosystem of innovation.

At Janssen, our mission is to make disease a thing of the past, and we carry this mission forward by developing and providing medicines that are safe, effective and accessible. It is our responsibility to do so, and our 50,000 U.S.-based Johnson & Johnson employees dedicate themselves to this mission each day.

Sincerely,



Scott White
Company Group Chairman
North America Pharmaceuticals
Johnson & Johnson



Anastasia G. Daifotis, M.D.
Chief Scientific Officer
Janssen North America
Pharmaceuticals

1. Janssen's Responsible Approach to Pricing

In 2021, our net prices declined for the fifth year in a row – **declining by -2.8%,⁷ and nearly -17%⁸ when compounded over the last six years.**

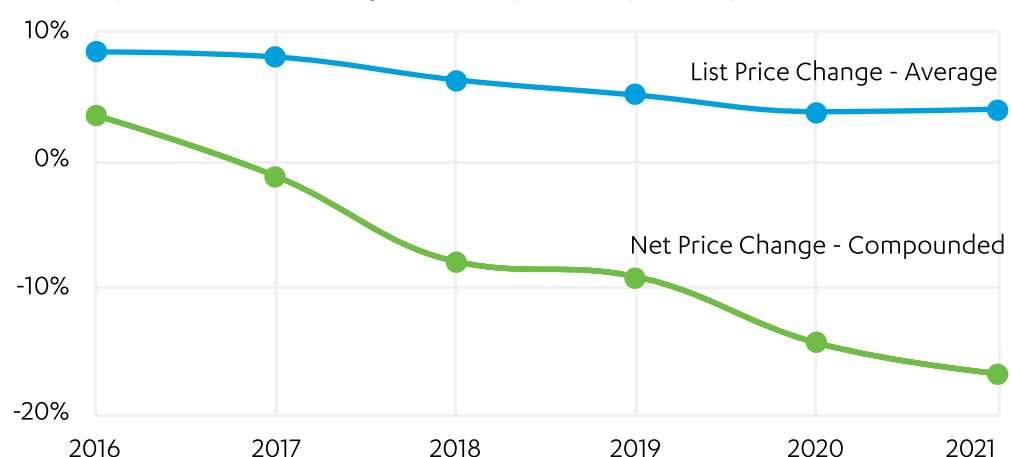
Even as the net prices paid by commercial insurers, pharmacy benefit managers (PBMs) and government programs, on average, have declined over the past five years,⁹ **individuals and families face ever-increasing cost-sharing burdens**, especially for prescription drugs, due to the design and growing use of high-deductible benefit plans.¹⁰

Highlights:

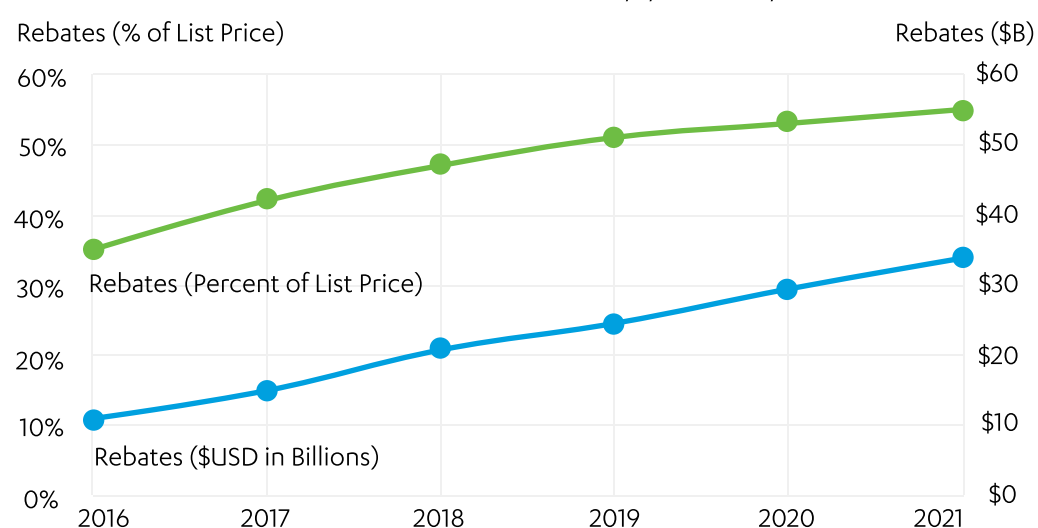
- Janssen paid \$33.9 billion¹¹ in rebates, discounts and fees in 2021, up 15.2% compared to 2020.¹²
- Nearly 55% of the list price of our medicines went to commercial insurers and others in the healthcare system as rebates, discounts and fees.¹³
- In 2021, Janssen CarePath provided access and affordability support to nearly 1.1 million patients.¹⁴

Janssen U.S. Pricing Overview¹⁵

Our net prices have been falling consistently over the past five years



Our rebates, discounts and fees have risen consistently, year-over-year



Our Responsibility—Today's patients need affordable access to medicines. Tomorrow's patients count on us to deliver treatments and cures for future health challenges and diseases. In setting a list price for a medicine, we balance:

1. The medicines' value to patients, the healthcare system and society. We assess how our medicines and vaccines improve individual health and allow a person to live their life to the fullest, as well as the potential to lower healthcare costs throughout the system and advance existing standards of care.

2. The importance of supporting affordable access to our medicines and vaccines. We negotiate with insurers, PBMs and governments, as well as hospitals, physicians and other providers of care, so patients who are prescribed our medicines or need our vaccines can get access to them.

3. The importance of preserving our ability to develop future ground-breaking vaccines, treatments and cures. Sales from our existing innovations provide us with the necessary resources to meet the growing costs of R&D to address unmet medical needs, better help underserved populations and remain prepared for emerging health threats.

2. From Rebates to Insurance Benefit Design: What It Means for Patients & the Healthcare System

In 2021, nearly 55% of the list prices of our medicines¹⁶ – **\$33.9 billion**¹⁷ – went to commercial insurers and others in the healthcare system as rebates, discounts and fees. Rebates and discounts resulted in lower net prices for commercial insurers and PBMs.

Since 2016, the first year covered by the Transparency Report, **the discounts we have provided have more than tripled**,¹⁸ as PBMs and commercial insurers have grown in size and power (the three largest PBMs process nearly 80% of all prescription claims¹⁹).

U.S. Prescription Drug Spending & Overall Healthcare Costs

Despite the continuous decline in net prices driven by the growth in rebates, discounts and fees, there are still many misconceptions about overall prescription drug costs within the U.S. healthcare system.

In 2020 (the most recent data available) the Centers for Medicare and Medicaid Services (CMS) found that spending on **retail prescription drugs across the entire healthcare system accounted for 8.4% of overall healthcare spending in the U.S.** – or about \$348.4 billion²⁰ – down from 9.9% in 2015. Government experts find that, **when all costs for medicines in non-retail settings are added, the U.S. drug percentage of healthcare spending is no more than 14% – which is projected to remain consistent.**²¹

Comparatively, when examining total U.S. healthcare spending, which was \$4.1 trillion in 2020²², spending on medicines is less than what is spent across many other sectors, such as on hospitals (\$1.3 trillion.)²³

One recent analysis noted, “Real net per capita spending – adjusting for net prices, population and economic growth – declined in 2020 to \$1,085 and has increased only \$56 since 2010.”²⁴ **This is less than \$6 per year.**



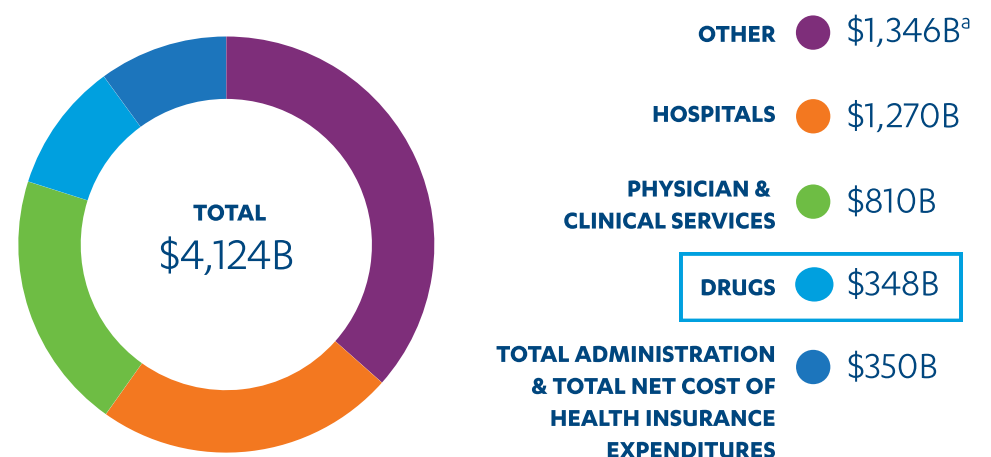
340B: Explosive Growth, but Who’s Benefiting? The Federal 340B Drug Discount Program, established in 1992, was intended to restore discounts on drugs to certain hospitals and clinics that provided care to underserved or vulnerable communities. This program has grown considerably in the past 30 years without transparency of who is benefiting from the growth in discounts.²⁵

As the Congressional Budget Office (CBO) noted recently, “Nationwide per capita spending on prescription drugs has generally held steady or declined since the mid-2000s – other than the increase from 2013 to 2015 – whereas use of prescription drugs has most likely increased over that period.”²⁶ **The CBO notes spending most likely increased because of the aging of the nation’s population.**²⁷

Other research shows that a growing share of healthcare spending is on low-value care or administrative spending, with estimates of such healthcare spending on waste ranging from \$760 billion to \$935 billion.²⁸ The University of Michigan identified over \$340 billion in unnecessary spending on low-value care that could be eliminated by designing insurance to be value-based.²⁹

Healthcare Spending on Retail Drugs Is Less Than Spending on Other Sectors

2020 Spending on Retail Drugs, Percent of U.S. Health Expenditures (Sections in Billions USD)³⁰



a. Note: Per NHE Definitions, Total of Combined Other includes: Investment, Nursing Care Facilities and Continuing Care Retirement Communities, Other Professional Services, Dental Services and Other.



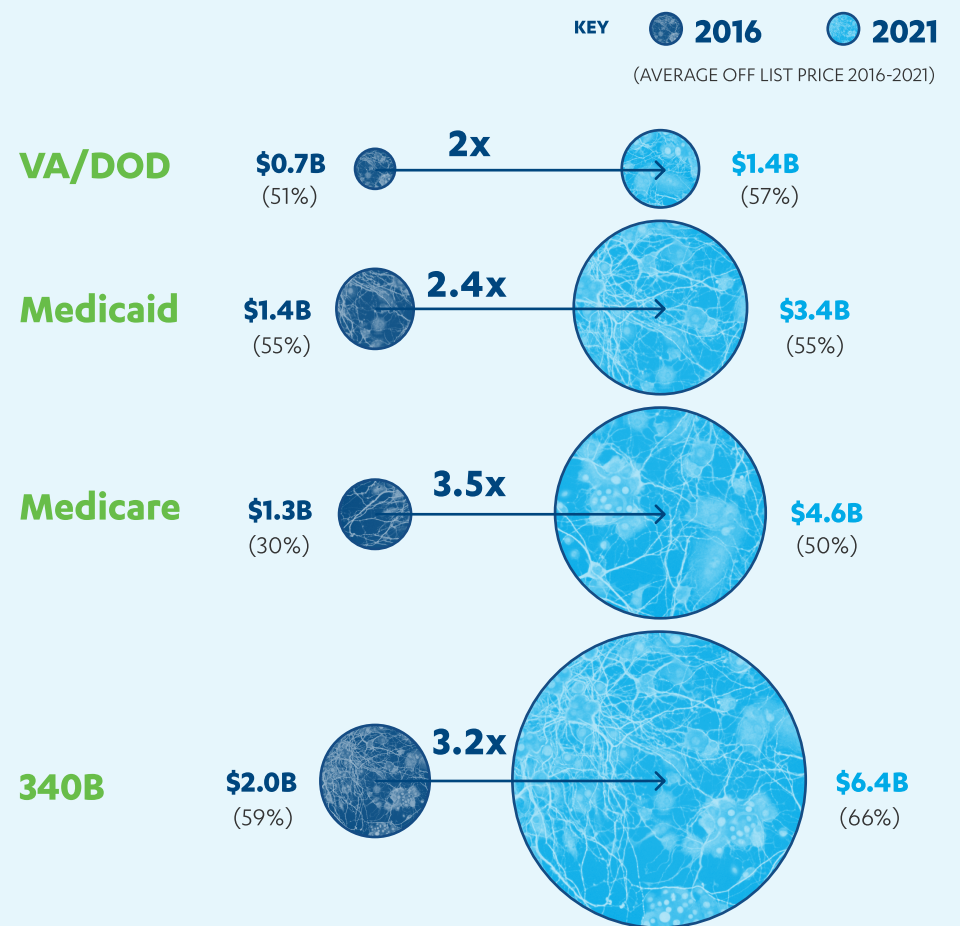
2. From Rebates to Insurance Benefit Design

Insurers Determine Patient Out-of-Pocket Costs

Growing Discounts and Rebates in Government Programs³¹

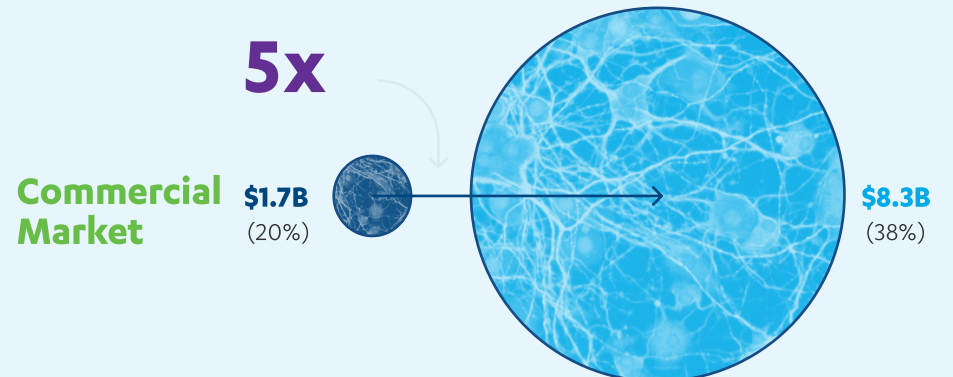
There are four primary drivers of the recent growth in rebates and discounts Janssen has provided since 2016 to various government programs, including:

- Benefits of vigorous negotiations with private insurance companies administering Medicare Part D benefits
- Increases in statutory required price concessions to government programs
- Supplemental discounts negotiated with individual states
- Exponential growth of 340B Drug Pricing Discount Program



From 2016 – 2021, Our Rebates, Discounts and Fees to Commercial Insurers and PBMs Have Increased

Since 2016, the first year covered by the Transparency Report, the rebates, discounts and fees we have provided to commercial insurers and PBMs have increased almost fivefold.



Commercial Insurers' Utilization Management Programs Impact Patient Treatment Options

The CBO recently acknowledged that “it is unlikely that the average net price of a prescription has increased considerably in recent years...,”³² yet patients face growing cost-sharing (or out-of-pocket costs) obligations because of insurance benefit design, and in some instances, are getting less access to needed medicines. Commercial insurers and PBMs often, and more increasingly, base patient cost-sharing on list price and not the lower net price negotiated with drug companies. There is a growing gap between the lower net prices paid by commercial insurers and the higher out-of-pocket costs they set for patients, which is leading patients to stop filling their prescriptions and taking their medicines.

This is especially acute for patients with multiple chronic conditions or who are prescribed specialty drugs in areas like oncology and immunology.³³

Commercial insurers and PBMs are also implementing more restrictive utilization management programs.³⁴ One such example is the increasing use of “exclusion lists,” which in some instances, prevents patients from accessing a growing list of medicines. Since 2014, these “exclusion lists” have grown more than 675%³⁵ to include more than 846 unique products.³⁶ These exclusions are also being leveraged with specialty drugs, which could disproportionately affect patients with very acute and specialized treatment needs.³⁷

2. From Rebates to Insurance Benefit Design

The Ways Insurance Benefit Design Drives Up Patient Out-of-Pocket Costs

The financial burden for patients is growing as formularies become more complex through multiple tiers and various cost-sharing arrangements based on class of drug. For instance, co-insurance alone now costs patients nearly \$30 billion per year.³⁸

At the same time, commercial insurers' utilization management tactics create access requirements for patients, which may affect patient outcomes:

- **Expanded Tiered Lists with Varying Cost-Sharing:** Commercial insurers continue to incorporate “more complex [insurance] benefit designs for prescriptions drugs... with multiple cost-sharing tiers as well as other management approaches.”³⁹ This can be especially harmful for patients needing specialty drugs, (e.g., cancer treatment) as these drugs are often placed on higher cost-sharing tiers.
- **Co-Pay Adjustment Programs:** Commercial insurers are increasingly using accumulator and maximizer adjustment programs to prevent co-pay assistance provided to patients by manufacturers from applying toward patient out-of-pocket maximums or deductibles. They can lead to additional and unexpected costs for patients and consequently reduce medication adherence.
- **Non-Medical Switching:** This happens when commercial insurers and PBMs switch clinically stable patients on any product to other therapies for non-medical reasons. This creates significant barriers to decision-making for patients, with one study noting that 73% of patients surveyed felt commercial insurers' non-medical switching disrupted the care decisions made between a patient and doctor.⁴⁰
- **Step Therapy:** Commercial insurers can require patients to fail treatment on the insurer's preferred medicine before trying another medicine. Beyond the burden this type of policy places on physicians, there is a growing concern that step therapy is preventing patients, especially those with very chronic conditions such as rheumatoid arthritis (RA), from taking their prescribed medicines.⁴¹ This also creates extra work for providers and doctors who must manage and maintain up-to-date lists of commercial insurers' approved drug lists.

- **Prior Authorization:** This is a requirement that providers submit documentation to commercial insurers before the commercial insurer approves coverage of a specific treatment and is a key driver of administrative cost growth in the U.S. It is estimated that physicians spend more than \$26 billion per year managing commercial insurers' prior authorization requirements for prescription drugs.⁴² One recent study noted that prior authorization could be the cause of prescription abandonment for more than 150 million patients.⁴³



Utilization Management Challenges Doctors, Too: Prior authorization can be disconnected from clinical care, with one recent study noting that only 34% of step therapy protocols deployed by the largest 17 U.S. health plans are consistent with clinical guidelines.⁴⁴ Doctors and their support staff are also spending almost two full business days each week processing prior authorization – which means delays in patients receiving medications they need and less time for delivering care.⁴⁵

Co-Pay Adjustment Programs

—Who Benefits: Patients or Commercial Insurers?

Commercial insurers deploy a growing array of aggressive tactics to undermine the co-pay assistance drug manufacturers provide patients. They prevent that assistance from counting toward a patient's deductible, sometimes leaving patients with sudden and often unexpected increases in out-of-pocket costs. Often these commercial insurer tactics are deployed to capture maximum economic value of the patient co-pay assistance for the commercial insurers' benefit while patients unknowingly face higher out-of-pocket costs as a result.

This makes it harder for patients to stay on their medicines and leads to worse health outcomes. The American Society of Clinical Oncology (ASCO) recently noted that these types of programs “have the potential to harm patients by discouraging the appropriate utilization of specialty therapies and reducing adherence to recommended treatment.”

There is growing concern among policymakers about these tactics' effects on patients. In fact, 12 states and Puerto Rico have passed legislation prohibiting the use of co-pay adjustment programs.

2. From Rebates to Insurance Benefit Design

Insurance Benefit Design Shifts Costs to the Sickest Patients

Unfortunately, the growth of utilization management programs, administrative requirements and cost-sharing is causing financial distress and harming the health of the most vulnerable patients. As a result, **39% of U.S. adults aged 19-64 who are fully insured, some of whom are underinsured, could not fill their prescription due to out-of-pocket costs** (not including their cost for insurance premiums).⁴⁶ Evidence shows that there is a significant link between abandonment rates and higher out-of-pocket costs for patients.⁴⁷

Commercial insurers' growing use of higher cost-sharing in the form of deductibles, co-payments and co-insurance is creating pressure on patients. This has become particularly acute for patients who are prescribed medications for multiple conditions or are taking specialty medicines for rare and difficult to treat diseases. One recent analysis noted that individuals with employer-based insurance with certain high-risk diagnoses are facing higher out-of-pocket costs for needed medicines.⁴⁸ This is the opposite of how insurance should work for everyone, especially the sickest patients who need insurance the most.

A 2021 study examined the effect of commercial insurers' cost-sharing increases on Medicare beneficiaries' health and life expectancy. The study found "a 34 percent increase (a \$10.40 increase per drug) led to a significant decrease in patients filling their prescriptions — and, eventually, a 33 percent increase in mortality."⁴⁹ These findings underscore that commercial insurers' shifting of more costs onto patients can cause them to cut back on essential drugs that have clinical benefits. The study also showed it is patients at the highest risk of heart attack and stroke who were forced to cut back the most.⁵⁰

Since 2015, **commercial insurers have increased patients' cost-sharing obligations by about \$8 billion** — meaning patients are spending more than \$82 billion on out-of-pocket costs for prescription drugs.⁵¹ One recent study estimated utilization management results in patients paying nearly \$36 billion per year in cost-sharing on prescription drugs.⁵² According to one recent analysis, "The U.S. market, on a net price basis, is forecast to grow 0–3 percent CAGR over the next five years."⁵³ However, projections for patient out-of-pocket costs suggest annual hikes three times as high — meaning **patients in 2026 may have to pay \$800 billion out-of-pocket for healthcare** — a 63% rise in only five years.⁵⁴

Patients Face Rising Out-of-Pocket Costs⁵⁵

3x

The average deductible for single coverage has seen a **threefold rise since 2006, and 68% in the last decade**

64%

64% of covered U.S. workers now face in-network out-of-pocket cost maximums above \$3,000, **an all-time high, up 83% since 2010 (then 35%)**

\$6,000+

1 in 4 U.S. workers face an out-of-pocket cost maximum above \$6,000

3. Supporting Our Nation's Healthcare Innovation Ecosystem

We are proud of our historical investments that have supported the nation's healthcare innovation ecosystem that is helping **make disease a thing of the past.**

Like any healthy ecosystem, it depends upon many elements supporting and sustaining each other. In this ecosystem, biopharmaceutical contributions to R&D spending accounts for the lion's share of all investments in medical research.⁵⁶ We also know a critical part of strengthening this ecosystem is to address inequities in the healthcare system, which is why we are working to better understand clinical effectiveness in diverse patient populations and why we support physicians from racial minority groups to help them serve their patients.⁵⁷

Our nation has seen significant progress and dramatic improvements in patients' health with previously untreatable diseases because of this ecosystem. For example:

- Over the past 20 years, the Food & Drug Administration has approved **115 oncology medicines**, which is a significant contributor to why cancer death rates have fallen 32% since 1991.⁵⁸
- The development of HIV treatments in the mid-1990s helped **reduce the number of HIV-related deaths** from more than 50,000 in 1995 to 5,000 in 2019.⁵⁹

In 2021, **we increased our global investment in R&D to \$11.9 billion (up from \$9.6 billion in 2020)**, more than doubling what we spent on marketing and sales in the same timeframe.⁶⁰ This growing investment enables us to discover, test and develop new medicines as well as demonstrate the efficacy and safety of our medicines before approval.

Since 2016, we have invested \$54.1 billion in researching and developing the next generation of treatments and cures.⁶¹ Over this six-year period, we produced a total of six new Janssen medicines approved by the FDA⁶² and an additional 48 approvals for expanded indications or new product formulations.⁶³

In 2021, we increased our global R&D investment for new medicines to **\$11.9 billion** (up from \$9.6 billion in 2020).⁶⁴

R&D spending was **>100% greater than** our spending on sales and marketing.⁶⁵

Since 2016, we have invested **\$54.1 billion** in researching and developing the next generation of treatments and cures.⁶⁶

3. Supporting Our Nation's Healthcare Innovation Ecosystem

With the surge in enabling technologies like messenger RNA, CRISPR and CAR-T, the next generation of medical breakthroughs is likely to come faster. We are focused on leveraging these technologies to develop novel therapies that can make the greatest difference in oncology, cardiovascular, metabolism and retina, immunology, infectious diseases and vaccines, neuroscience and pulmonary hypertension.

Across these therapeutic areas, we use our expertise in small molecules, monoclonal antibodies, cell and gene therapies, RNA therapeutics and vaccines to develop transformational medical innovations. We are continuing to build upon our promise of innovation by exploring the expanded clinical value for our marketed medicines across six therapeutic areas, **with 36 significant new product expansions and 14 novel therapies currently in the R&D process with results expected by 2025.**⁶⁷

Ongoing Investments to Eliminate Health Inequities for People of Color

Following on our commitment to reduce racial and socioeconomic disparities standing in the way of better health outcomes, Johnson & Johnson and Janssen have actively advocated for measures to prioritize and support diversity and inclusion within healthcare. By increasing physician diversity and cultural competence of all physicians, we can help achieve better health outcomes for every patient.

As part of Johnson & Johnson's ongoing Race to Health Equity, Janssen is actively engaged in helping address health inequities by supporting the next generation of minority physicians as well as improving diverse recruitment for clinical trials. In 2021, we invested in three critical areas:

- **Alliance for Inclusion in Medicine (AIM) Program:** In partnership with the National Medical Fellowships (NMF), we launched a new scholarship and mentorship program for 20 medical students of color in the U.S. who were matched and paired with a J&J mentor who serves as a resource, connecting them with hundreds of other experts within the enterprise from whom they can receive advice, guidance and insight as they progress through their research projects and pursue their goals.⁶⁸
- **NMF Diversity in Clinical Trials Research Program (NMF Dctr):** Janssen also partnered with NMF to launch a first of its kind program seeking to increase the number of underrepresented minority clinicians who serve as lead research managers or principal investigators to help strengthen diversity in clinical trials.⁶⁹
- **Decoding Disparities QuickFire Challenge:** We continued our efforts to better detect, understand and reduce the root causes of health inequities through data-driven methodologies and technologies.⁷⁰ Janssen awarded four innovative partners with funding to inform the crucial next steps we need to take toward achieving equity.⁷¹

We also continue to improve how we collect real-world evidence and are working to better understand clinical effectiveness in diverse patient populations. We have modified our approach to clinical trials to make them more broadly representative of the people our medicines help. We have increased the number of investigators who work with diverse patient populations and provide tailored training to enable more physicians from underrepresented communities to lead clinical trial research.

Through our ongoing investments in R&D and dedicating resources to help address racial inequities, we believe the future looks brighter and healthier for every patient.

4. Helping Patients Access Their Medicines: Independent Programs and Foundation Support

Janssen CarePath Directly Supports Patients

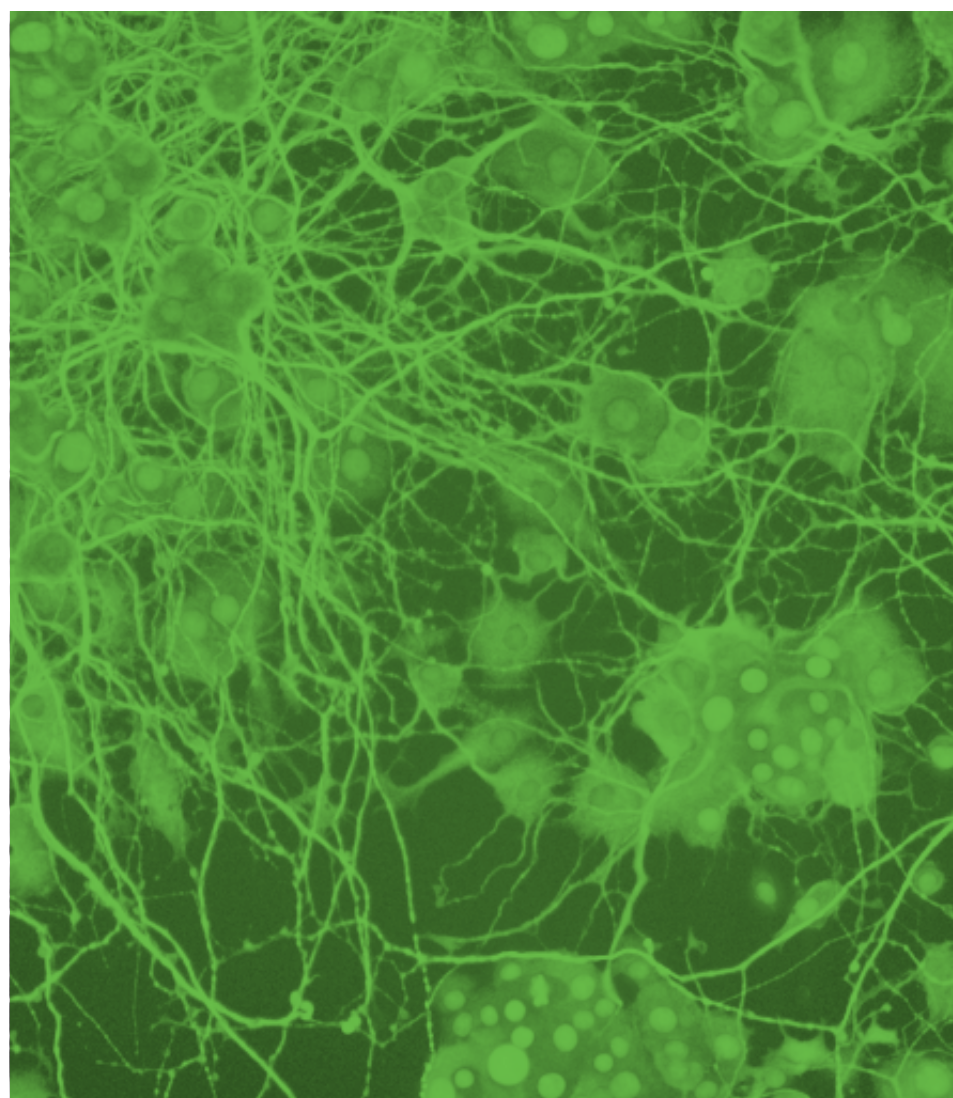
We continue to support patients through Janssen CarePath, a service that provides information about support resources for patients taking Janssen medications. Once a healthcare professional has decided a Janssen medication is right for their patient, the program can help that patient find the tools they may need to get started on a medication and stay on track, including sharing options to help manage out-of-pocket costs.

In 2021, more than **1.1 million** patients were helped through the Janssen CarePath program.⁷²

Johnson & Johnson Patient Assistance Foundation, Inc.

We also support independent programs and foundations that help patients. In the U.S., Janssen and other Johnson & Johnson companies donate medicines and funding to the Johnson & Johnson Patient Assistance Foundation, Inc. (JJPAF), an independent, nonprofit organization. JJPAF gives eligible patients prescription medicines donated by Johnson & Johnson companies. In 2021, Janssen donated **approximately \$2.2 billion in products and financial support to JJPAF**,⁷³ enabling it to provide medicines to nearly 94,000 patients. For more information, please visit [JJPAF.org](https://www.jjfaf.org).⁷⁴

In continuing response to COVID-19, the JJPAF continued to provide support to those in need due to the COVID pandemic.



Pictured: Neuronal outgrowth in immortalized cell line.

5. What We Believe:

Policies Must Protect Progress for Patients

The last several years have shown how our innovation ecosystem helps create **transformational therapies and cures for patients** even with the specter of policies that could unintentionally undermine this progress.

Policies, like those debated in 2021, could have unintended consequences that could undermine:

- Doctor-patient decision-making,
- Patients' access to needed medicines and
- The innovation ecosystem and medical advancements that patients depend upon to treat debilitating and life-threatening diseases.

We continue to advance solutions that promote innovation, reduce inequity and improve affordability, guided by four core principles:

- Patients should have affordable and timely access to appropriate treatment options and sites of care.
- Treatment decisions belong in the hands of patients and their healthcare providers.
- Clinically stable patients should not be switched from their treatments for non-medical reasons (unless deemed substitutable by the FDA).
- Appropriate clinical rigor and manufacturing quality standards should be applied in all instances to ensure patient safety.

We believe by keeping those principles at the forefront of policy development, it is possible to create a sustainable healthcare system that:

- Maintains a fair and competitive marketplace.
- Fosters an environment that supports future investment in transformational innovation.
- Ensures responsible pricing and appropriate transparency system-wide.
- Determines value based on evidence that incorporates the benefits and risks for patients, the healthcare system and society.

The Federal Government Already Benefits from Negotiations

Much of the national debate in the U.S. centers around the idea of "government negotiation." But what is not widely understood is that many **government programs already benefit from vigorous private-market negotiations.**

- Medicare Part D: The Medicare Part D program benefits from competitive negotiations, as the commercial insurers that manage Part D negotiate directly with pharmaceutical manufacturers for larger discounts.
 - Part D Plans are often designed so that seniors' out-of-pocket costs are based on the higher list price, not the lower negotiated net price. This type of plan design results in higher out-of-pocket costs for seniors. We support a cap on out-of-pocket costs in Medicare Part D.
- Medicare Part B: The Medicare Part B program benefits from private-market negotiations as it pays the "average sales price" (ASP), which is an average of the net prices negotiated between manufacturers, commercial insurers and others (and excludes 340B and Medicaid discounts).
 - In Medicare Part B, patients' cost sharing is based on the negotiated net price, which lowers patients' out-of-pocket cost exposure. Most Medicare beneficiaries have some type of supplemental insurance coverage that covers much of the patient's Part B cost-sharing requirements.

5. What We Believe

We work with policymakers and other stakeholders to address this country's healthcare challenges and build on its significant strengths, offering solutions that:

- Ensure rebates negotiated by pharmaceutical manufacturers for commercial insurer coverage of medicines go directly to the patients who need them.
- Address the barriers to access created by insurance benefit design with unaffordable cost-sharing and exclusionary tactics.
- Reduce racial and socioeconomic disparities standing in the way of better health outcomes.
- Preserve the unique innovation ecosystem that fosters medical advances and encourages investment in research and development necessary to discover and make transformational medical advances available to patients in need.

How Reporting Serves Our Mission

Our mission is to transform individual lives and fundamentally change the way diseases are managed, interpreted, and prevented.

We are looking at a future where the world of healthcare will be challenged by informed and empowered patients. At Janssen, we strive to provide access to effective and affordable medicines and related healthcare services to the people who need them.

Through our annual transparency reporting, we aim to provide data and evidence that show our responsible approach to pricing, our commitments to research and development and our continuing efforts to support affordable access for patients.

Over the next year, we will publish additional reports to further inform the work being done to foster a patient-centric healthcare system and enable our unique ecosystem of innovation. We hold ourselves to a high level of transparency and accountability through these types of disclosures and reports, including our corporate sustainability measures report — the Johnson & Johnson Health for Humanity Report at healthforhumanityreport.inj.com.

Go to transparencyreport.janssen.com to learn more.

Our Credo

We believe our first responsibility is to the patients, doctors and nurses, to mothers and fathers and all others who use our products and services. In meeting their needs everything we do must be of high quality. We must constantly strive to provide value, reduce our costs and maintain reasonable prices. Customers' orders must be serviced promptly and accurately. Our business partners must have an opportunity to make a fair profit.

We are responsible to our employees who work with us throughout the world. We must provide an inclusive work environment where each person must be considered as an individual. We must respect their diversity and dignity and recognize their merit. They must have a sense of security, fulfillment and purpose in their jobs. Compensation must be fair and adequate and working conditions clean, orderly and safe. We must support the health and well-being of our employees and help them fulfill their family and other personal responsibilities. Employees must feel free to make suggestions and complaints. There must be equal opportunity for employment, development and advancement for those qualified. We must provide highly capable leaders and their actions must be just and ethical.

We are responsible to the communities in which we live and work and to the world community as well. We must help people be healthier by supporting better access and care in more places around the world. We must be good citizens — support good works and charities, better health and education, and bear our fair share of taxes. We must maintain in good order the property we are privileged to use, protecting the environment and natural resources.

Our final responsibility is to our stockholders. Business must make a sound profit. We must experiment with new ideas. Research must be carried on, innovative programs developed, investments made for the future and mistakes paid for. New equipment must be purchased, new facilities provided and new products launched. Reserves must be created to provide for adverse times. When we operate according to these principles, the stockholders should realize a fair return.

Johnson & Johnson

6. Notes & Citations

Notes on This Report. All information in this report refers to the U.S. operations of the Janssen Pharmaceutical Companies of Johnson & Johnson, unless noted otherwise. Financial and nonfinancial information covers the period between January 4, 2021 and January 2, 2022, except where noted. The methodologies used for analyses in this report may be different from those used by other organizations. This report is not audited and is not intended to address all our required disclosures.

Additional Resources. In this report, we refer to locations where you can find more information about specific Janssen U.S. and Johnson & Johnson programs, disclosures, and patient resources. Financial performance information for our parent company and its subsidiaries, as well as its “Cautionary Note Regarding Forward-Looking Statements” and “Risk Factors,” can be found in Johnson & Johnson Annual Reports at [jnj.com/about-jnj/annual-reports](https://www.jnj.com/about-jnj/annual-reports). Information on corporate sustainability measures can be found at the Johnson & Johnson Health for Humanity Report at healthforhumanityreport.jnj.com.

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