

United States Senate
WASHINGTON, DC 20510

December 17, 2019

Board of Directors
Purdue Pharma Inc.
One Stamford Forum
201 Tresser Boulevard
Stamford, CT 06901

Dear Members of the Board:

We write to you today with concerns about the \$1.3 million incentive bonus payment you have proposed to make to Purdue chief executive officer Craig Landau while your company is in Chapter 11 bankruptcy.¹ Mr. Landau is a named defendant in multiple lawsuits, which allege he personally designed Purdue's intentionally deceptive opioid marketing campaign.² Further, the payment is based on aggressive performance incentives similar to those used to encourage opioid sales.³ As such, we ask that you cancel the incentive payment to Mr. Landau and reevaluate your incentive payment plan to ensure your company puts patient safety ahead of profits.

Purdue's opioid marketing campaign accelerated an opioid epidemic that has claimed an estimated 400,000 lives.⁴ The campaign generated \$35 billion in revenue for Purdue and likely significant incentive bonus compensation for Mr. Landau for achieving ambitious opioid sales targets.⁵ Purdue's recently submitted compensation proposal would incentivize Mr. Landau to meet similarly aggressive targets: "[t]he Company's performance metrics are carefully selected to incentivize Employees and maximize the value of the Company's business. Importantly, the corporate objectives *are not easily achievable*," (emphasis added) said Purdue's chief financial officer Jon Lowne.⁶

Instead of taking this opportunity to adjust its priorities, Purdue is fighting to maintain an incentive structure that could result in the unwarranted prescription and irresponsible distribution of drugs. "The design [of the incentive plan] is consistent with the Company's pay for

¹ Tom Hals. "States fight bonus pay for CEO of OxyContin maker Purdue". *Reuters*. 2 December 2019.

<https://www.reuters.com/article/us-purdue-pharma-bankruptcy/state-ags-fight-bonus-pay-for-ceo-of-oxycontin-maker-purdue-idUSKBN1Y62KA>; (A hearing on Mr. Landau's bonus payment is set for December 19, 2019.)

² Docket #554 "Declaration of Jon Lowne in Support of the Motion of Debtors". *PrimeClerk*. 2 December 2019.

³ *Ibid*.

⁴ Chris McGreal. "Big Pharma's Response to the Opioid Epidemic: Pay But Deny". *The New York Review of Books*. 11 November 2019. <https://www.nybooks.com/daily/2019/11/11/big-pharmas-response-to-the-opioid-epidemic-pay-but-deny/>

⁵ David Armstrong and Jeff Ernsthausen. "Purdue Pharma touts data that downplay its role in the opioid epidemic, new analysis shows". *STAT News* and *ProPublica*. 9 September 2019.

<https://www.statnews.com/2019/09/09/purdue-pharma-data-downplay-its-role-in-opioid-epidemic/>; Docket #554 "Declaration of Jon Lowne in Support of the Motion of Debtors". *PrimeClerk*. 2 December 2019.

⁶ *Ibid*.

performance philosophy,” said Mr. Lowne.⁷ By maintaining the aggressive incentive plan for Mr. Landau, the Board is showing that it does not recognize the role the incentive program played in accelerating the opioid crisis into a national tragedy.⁸ While the filings indicate that Purdue’s sales incentive plan will not pay bonuses for opioid sales, it is not clear that the operating profit incentive will *exclude* opioid sales from its calculation.⁹

In fact, there is no indication that the very compensation policies that encouraged its employees to allegedly deceive doctors and patients to sell opioids have been removed from the current compensation plan to sell other drugs. For example, the filings indicate that bonuses will be paid based on the successful launch of Adhansia XR, a Food and Drug Administration (FDA) approved drug for children as young as six years old. Adhansia XR has the same active ingredient as Ritalin and Concerta, but would come in one of the highest single doses on the market, making it highly addictive and creating a high chance for abuse.¹⁰

The filings reflect that Purdue is still more concerned with motivating high-level employees to sell more drugs than it is with public health or helping states ravished by the opioid crisis. Earlier this month a judge approved your proposal to award \$35 million in bonus payments to other employees at Purdue. “I believe that denying participating Employees the chance to earn performance-based compensation consistent with past practice could create the risk of them being severely de-motivated and/or leaving Purdue. I also believe it would be wholly inconsistent with maximizing the value of [Purdue’s] estates,” said Mr. Lowne in his sworn statement.¹¹

In order to address the opioid crisis and ensure the same mistakes are not repeated we must identify and end the behavior that led us to this point. An executive compensation expert hired by Purdue to examine its incentive plan for the bankruptcy found the plan to “align with general market practices . . . consistent with those of other companies in the market.”¹² Research has shown that aggressive incentive payment plans are common throughout the industry, with significant impacts on corporate priorities.¹³ These incentive plans should be evaluated to ensure they do not put sales targets (particularly for addictive drugs) before public health and patient safety.

In closing, we again urge you to cancel your proposed incentive bonus payment to Mr. Landau, and reevaluate your entire incentive pay program to ensure that your company puts patient safety ahead of profits.

⁷ *Ibid.*

⁸ Art Van Zee, MD. “The Promotion and Marketing of OxyContin: Commercial Triumph, Public Health Tragedy”. *American Journal of Public Health*. February 2009. Accessed at: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2622774/>

⁹ Docket #554 “Declaration of Jon Lowne in Support of the Motion of Debtors”. *PrimeClerk*. 2 December 2019.

¹⁰ Brian Krans. “Why Did the FDA Approve This New High-Dose ADHD Drug?” *Healthline*. 1 April 2019. <https://www.healthline.com/health-news/adhd-medication-now-available-to-young-children>

¹¹ Docket #554 “Declaration of Jon Lowne in Support of the Motion of Debtors”. *PrimeClerk*. 2 December 2019.

¹² Docket #555 “Declaration of Josephine Gartrell in Support of Debtors’ Key Employee Plans”. *PrimeClerk*. 2 December 2019.

¹³ William Lazonick, et al. “Financialization of the U.S. Pharmaceutical Industry”. *The Academic-Industry Research Network*. 2 December 2019. <https://www.ineteconomics.org/perspectives/blog/financialization-us-pharma-industry>

Sincerely,



Tammy Baldwin
U.S. Senator



Edward J. Markey
U.S. Senator



Joe Manchin III
U.S. Senator



Richard Blumenthal
U.S. Senator



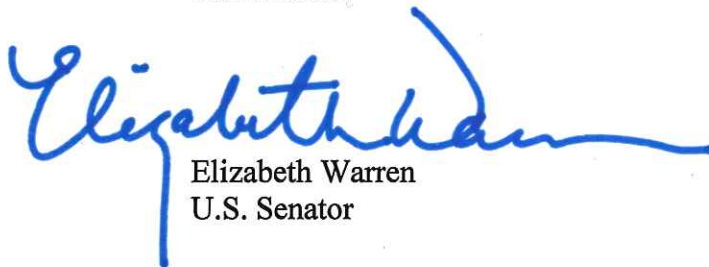
Bernard Sanders
U.S. Senator



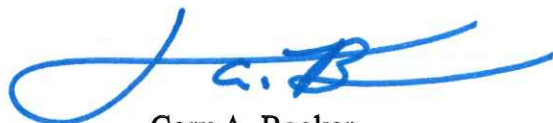
Sherrod Brown
U.S. Senator



Dianne Feinstein
U.S. Senator



Elizabeth Warren
U.S. Senator



Cory A. Booker
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Margaret Wood Hassan
U.S. Senator



Amy Klobuchar
U.S. Senator