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**The Senate Committee on the Judiciary, Subcommittee on Antitrust, Competition Policy  
and Consumer Rights, United States Senate  
July 30, 2014**

**Hearing On:  
“Pricing Policies and Competition in the Contact Lens Industry: Is What You See What  
You Get?”**

Good afternoon, Madam Chairwoman and Members of the Committee. My name is Dr. Millicent Knight, and I am the Head of Professional Affairs and a member of the North America Management Team for Johnson & Johnson Vision Care, Inc. (JJVCI), the manufacturer of ACUVUE® Brand Contact Lenses. I am pleased to have the opportunity to share with you our perspective on consumer pricing within the contact lens market.

Before joining Johnson & Johnson Vision Care, I saw patients daily for nearly 25 years as the owner of a private optometric practice in Evanston, Illinois. During that time I also served as a consultant for JJVCI and for several other eye health companies. And, although I do not see patients in my current role, I continue to advocate on their behalf by helping our company understand how eye care professionals (ECPs) may improve standards of care to best serve patient needs.

It is in the interests of serving patients' needs that I would like to share with you why we believe the implementation of a Unilateral Pricing Policy (UPP) on several of our most widely-prescribed ACUVUE® brands in the U.S. will benefit those who depend on these products for their vision correction needs.

Johnson & Johnson Vision Care made the decision to implement a UPP after thorough consideration of a number of options and independent of pricing decisions of other contact lens manufacturers. For example, we could have simply reduced prices to those who sell our products. We determined, however, that in this case, there would be no guarantee that any discount would be passed on to consumers.

By establishing a UPP:

- We are creating lower prices for the most widely prescribed ACUVUE® Brand Contact Lenses. We estimate that two-thirds of patients who buy ACUVUE® Brands will pay a lower price for their product, with an additional 17 percent of consumers seeing little or no change in price.
- We are removing manufacturer's rebates from our products and replacing the burdensome rebate process with instant savings for every box purchased, regardless of quantity purchased.
- We are offering consumers access to more transparent pricing that will allow them to make the best purchasing decision based on quality, clinical need, and price.

JJVC I has **not** established a Resale Price Maintenance program with retailers on the prices at which they will sell ACUVUE® products. Rather, JJVC I has unilaterally established a minimum price in the market – a price which is actually lower than the current national average selling price to consumers. There are no agreements with any resellers now, nor are any planned for the future.

The following provides additional detail on our UPP and how it benefits consumers:

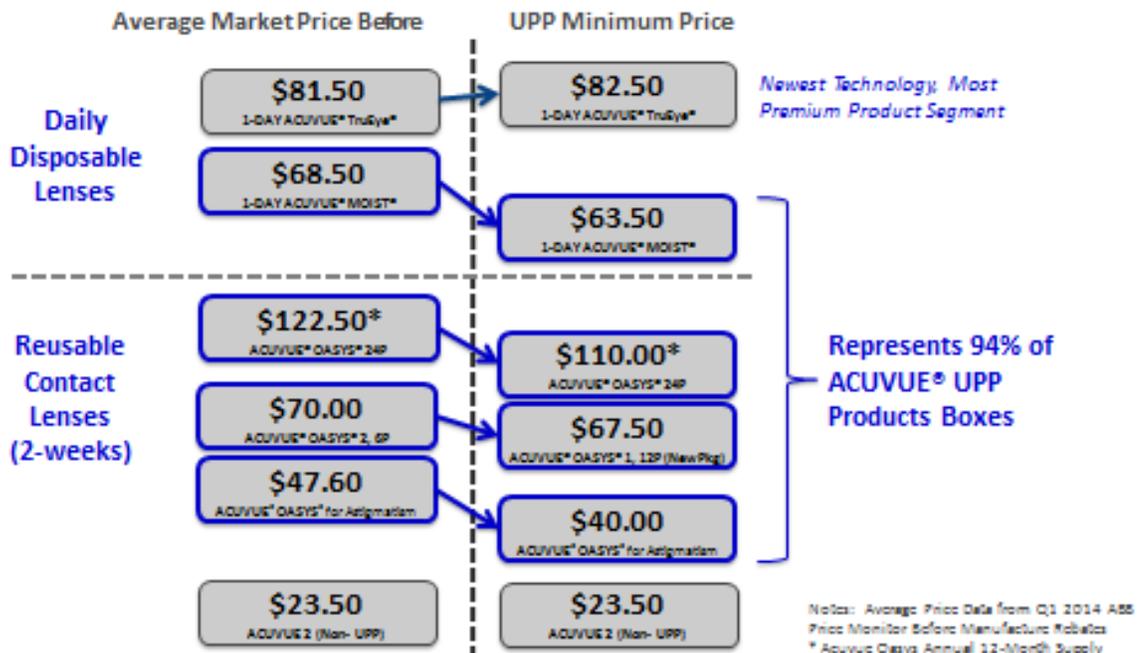
### **CREATING LOWER PRICES FOR THE MOST WIDELY PRESCRIBED ACUVUE® BRAND CONTACT LENSES**

JJVC I implemented a UPP on its ACUVUE® OASYS® family of products (effective July 1, 2014 for new six-month supply pack; August 1 for remainder of ACUVUE® OASYS® family) and its 1-DAY ACUVUE® MOIST® family of products and 1-DAY ACUVUE® TruEye® Brand (effective August 1, 2014). Approximately 10 million consumers, 69% of the 14 million current ACUVUE® wearers in the U.S., receive prescriptions from their eye care professional for one of these three brands.

There are two significant ways that consumers will see a reduction in price for these brands:

1. The Minimum Retail Prices within our UPP are set below the current average market prices for the majority of consumers who purchase these brands. The chart on the next page demonstrates average market prices of the ACUVUE® UPP Brands before and after the new UPP Minimum Retail Prices, and the percent reduction of each. The three brands listed (one has two package sizes) represent 94% of the sales of our UPP Brands.

## National Average Price before vs. UPP Minimum Price Average Consumer Price per Box Change Examples



Source: Average Price Data from Q1 2014 ABB Price Monitor Before Manufacture Rebates

\* ACUVUE® OASYS® Brand Contact Lenses Annual 12-Month Supply

\*\* Annual Supply

- We have removed our rebates from the market and built these savings into the per-box price of our UPP brands. By providing the lower per-box prices on every box, we will reach significantly more consumers with better pricing. This is further outlined below.

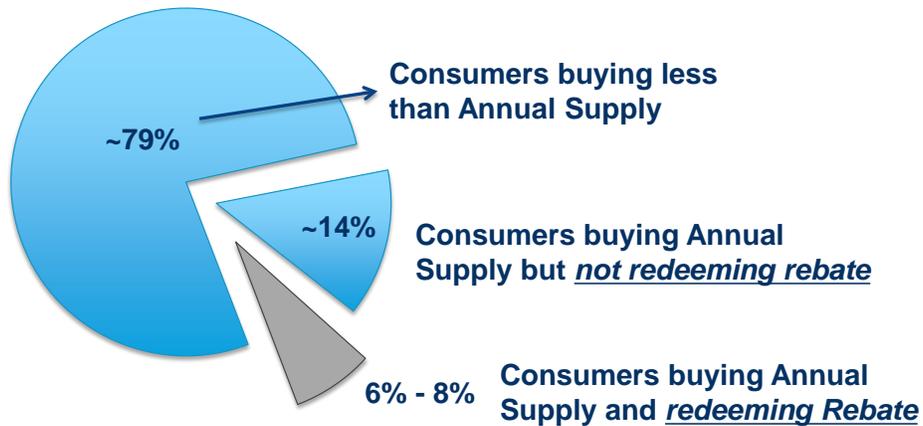
When we combine (1) the change in box-price and (2) the percent of consumers who purchase less than an annual supply or don't redeem rebates, we believe that **66% of consumers will pay lower prices as a result of our new pricing strategy.**

### REMOVING MANUFACTURER'S REBATES AND REPLACING THEM WITH INSTANT SAVINGS REGARDLESS OF QUANTITY PURCHASED

While rebates provide a discount to the consumers who qualify and redeem them, in the contact lens market, rebates are generally only available to consumers who purchase an annual supply.

Historically, as demonstrated in the chart below, the majority of ACUVUE® wearers (79%) buy less than an annual supply. This means that only roughly one-in-five ACUVUE® wearers would be eligible for lower prices offered through a manufacturer's rebate. Furthermore, similar to other industries and markets where rebates are utilized, approximately only three-in-ten follow through with filling out and mailing in a rebate form in order to realize the price benefits that

rebates offer them. The rebate process can be cumbersome and it may be between six-to-eight weeks until a rebate payment is received. Our data suggests that somewhere between 6% and 8% of all ACUVUE® consumers actually redeem rebates in order to receive the best prices offered by a retailer.



With the instant savings offered through the UPP, lower prices are available to more consumers, including those who are more likely to purchase contact lenses one box at a time. These are the consumers who are typically less affluent, more cash-strapped, and who are most in need of lower prices.

Additionally, ECPs have commented that it is difficult to monitor each contact lens company's rebate offers, and that it can take valuable staff time away from counseling patients to explain and field questions about the rebate process. I know patients came to me to provide the best solutions to their eye health and vision challenges. Contact lenses are a class two and three medical device and require knowledge and skill in providing best fittings and evaluations. Substantial time spent reviewing costs during a patient examination takes away valuable time from the clinical discussion.

Any change that removes distractions from the doctor-patient relationship is beneficial to both parties. I also recognize the resource burden that fulfilling and tracking rebates places on the manufacturer.

**OFFERING CONSUMERS ACCESS TO MORE TRANSPARENT PRICING THAT WILL ALLOW THEM TO MAKE THE BEST PURCHASING DECISION BASED ON QUALITY, CLINICAL NEED, AND PRICE**

In today's contact lens market, a variety of marketing and promotional offers encourage consumers to purchase their contact lenses either at a physical retail location or on-line. In some instances, the promoted price may not be the actual price they pay. For example, an advertisement may show a low per-box price that is only obtained if the consumer buys the maximum quantity and sends in a mail-in rebate. Often, the consumer is not aware of these caveats until the transaction is already in process.

With the removal of manufacturer's rebates, as well as the setting of Minimum Retail Prices through the UPP being implemented by JJVCI, consumers will have significantly improved visibility to the price that they can expect to pay when they select one of the ACUVUE® Brands covered under the UPP.

## **CLOSING**

Drawing on my experience as a practicing optometrist and now in my role with JJVCI, I am confident our UPP provides transparency and simplicity in the value and costs associated with what patients trust their doctors to prescribe. Without the visibility of a UPP price, contact lens sellers may keep the price decreases for themselves and increase their margin, as we have seen in the past.

Importantly, the UPP creates greater accessibility to lower prices for everyone, not just the few patients that remember to send in their rebates correctly. Lastly, by instituting a UPP, lowering our prices and by making the process by which our consumers can access these lower prices simpler and more convenient, we believe we can better compete with other manufacturers in the contact lens market.