

Is Washington Playing Politics with Drug Prices?

Healthcare has always been a stated priority for both political parties during an election year. Whether it's a presidential election year or a midterm election year, both US Senate and House of Representatives candidates have promised to reduce costs of healthcare for seniors and average families. One way that the United States government has made good on its promise to reduce the costs of healthcare is by approving Medicare Part D. The new Medicare prescription drug benefit, Medicare Part D, resulted from the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA). The program provides prescription drug coverage to Medicare recipients and began on 1 January 2006. However, for the most part only senior citizens benefit from Medicare. Although it is a great policy, this doesn't alleviate the costs of healthcare for an average family.

Both Republican and Democratic candidates have promised to reduce healthcare costs. One way to do this, as some political commentators have stated, is by "going after the big pharmaceutical industry." There is, however, a level of skepticism that comes with such claims, particularly if you analyze the amount of money being provided to both parties for election campaigns and funds.

That being said, in the past the financial contribution from the pharmaceutical industry has been pretty much equal for both parties. This year the pharmaceutical industry contributions from different sources showed that they were contributing on average \$2.00 to the Republican Party for every \$1.00 to the Democratic Party. Is this a statement being made by the pharmaceutical industry? You may wonder whether there is a reason behind the higher contributions for the Republicans over the Democrats. No companies have stated what has to those higher contributions levels to the Republicans over the Democrats.

However, some indication can be found from statements on the Democratic Party's official website (<http://democrats.senate.gov/~dpc/pubs/107-2-157.html>): "Democrats will ensure fair drug prices for all Americans, while Republicans would protect pharmaceutical industry profits," a clear indication that the Democratic agenda is to reduce the cost of drugs from pharmaceutical companies. Some may speculate that the pharmaceutical industry is trying to send a signal that they contribute to whoever treats them more favorably.

This year was a monumental year for the Democratic party as it won back control of both the Senate and the House. Most would agree that the promise to reduce the cost of drugs wasn't a large factor in voters' minds. Although this means a political shift in government power, what does it mean for the pharmaceutical and biotechnology industries?

If the Democratic party stays true to its agenda to go after the profitable pharmaceutical industry, one way it can do so is by eliminating loopholes the pharmaceutical industry uses to extend patents. Doing that would keep blockbuster drug manufacturers from benefitting for extended periods in which they can keep their drug prices high because of their right to exclusivity in production and marketing. Generics manufacturers would have a chance to produce and sell similar drugs for a reduced cost, forcing the original manufacturers to lower their prices in order to stay competitive.

Generics manufacturers are able to provide similar drugs at reduced costs because they do not have to incur the cost of discovery. They have access to information regarding brand name drugs that allows them to produce bioequivalent versions without all the overhead cost. Such companies also do not have to conduct lengthy and costly clinical trials

to prove the safety and efficacy of their products; they simply have to prove bioequivalence. Last but not least, generics manufacturers benefit from being a default option by doctors, pharmacists, HMOs and patients when the cost of the brand name drug is too high. So by default they are benefiting from the millions of dollars spent by brand-name manufacturers on marketing.

The loss of profits for large brand-name manufacturers will be the gain of generics manufacturers, unless of course those are one and the same. More large pharmaceutical companies are creating generics subsidiaries to produce bioequivalent versions of their own drugs in anticipation of patent expiration. Another route that pharmaceutical companies may take to maintain profits is applying for over-the-counter (OTC) classification for drugs that previously were available only through prescription. Schering Plough (Claritin), Johnson & Johnson (PepcidAC), and Pfizer (Zantac) have all found success by going to OTC after patent expirations.

Whether or not recent changes in Washington will affect the pharmaceutical industry still remains to be seen. The days of billion-dollar pills may or may not be over, but it's nice to know that one of the most profitable industries has a "Plan B" to keep up profits in case the rug gets pulled out from under it. 🌐

Patricia Santos-Serrao is a regulatory affairs consultant, in regulatory advisory, at QUMAS, 325 Columbia Turnpike, Florham Park, NJ 07932; 1-973-377-8750; serrao@us.qumas.com, www.qumas.com.