Global Counsel

Maybe drug prices should be high: Coronavirus scrambles the DC debate over Big Pharma

Blog post by Director, Global Counsel US Erin Caddell, 9 March 2020

President Trump and his two remaining rivals for the White House do not agree on much. But even these bitter political opponents concur that US drug prices are just too darn high.

Trump accused the pharmaceutical industry in 2017 of “getting away with murder,” and has made several moves in his time as president to lower prices and increase transparency for consumers. Former Vice President Joe Biden has pledged if elected to allow Medicare to negotiate prices for drugs it purchases, limiting launch prices for new drugs with no competition, and easing rules on developing generic drugs. And Senator Bernie Sanders often cites a study that one in five Americans do not fulfill all of their prescription drug needs because they cannot afford them and has put forth numerous plans of his own to reduce drug prices.

The sentiments are not without justification. Between January 2006 and December 2015, retail prices for 113 commonly used brand-name drugs increased cumulatively by an average of 18%, versus overall US inflation rate of 19% during that ten-year period, according to AARP. Consolidation and a lack of competition for some blockbuster drugs, an aging population and innovations that have created new demand for some drugs all appear to play a role in the breakneck pace of drug price inflation.

Members of Congress from both parties have been working for months on legislation to lower drug prices, and pharmaceutical price reform was thought to be one of the few major pieces of legislation that could pass in this election year.

But the coronavirus outbreak, which has shifted in the US from a global story to a domestic one, has turned this dynamic on its head. Images of scientists in their labs diligently working to find a vaccine for COVID-19 are in the news daily. Last week, senior executives from the same large drug companies that have been vilified by politicians met with Trump, Vice President Mike Pence and other White House officials to brief them on their companies’ efforts to combat the outbreak. With anxiety spreading in the US as new cases are reported seemingly by the hour, suddenly no price for a remedy or a cure to combat this unseen global villain seems too high.

The shift has policy as well as political implications. Last week, as part of negotiations for an $8.3 bn spending package to combat coronavirus that was ushered through Congress and signed by Trump, media outlets reported that the pharmaceutical industry blocked initial efforts to insert language that would have threatened intellectual property rights for any coronavirus vaccines or treatments the federal government viewed to be priced unfairly or not designed to be made widely available. Furthermore, bill drafters inserted language in the spending package to prevent delays in the approval process for new drugs to combat coronavirus solely because of cost.

In keeping with their bogeyman status in DC (along with the very real pullback in price increases, plus related factors like the imminent roll-off of some blockbuster drugs to generics), the S&P Pharmaceuticals ETF is down over the past five years, while the broader S&P 500 has risen 40%, even following the recent drop. To focus on one example of a company represented at last week's White House meeting, shares of drug giant Pfizer were trading on March 6th at nearly the exact price of five years ago. Pfizer announced last week that is partnering with a German firm, BioNTech, to develop a coronavirus vaccine. The companies may or may not be successful. But for now, at least, the fear of coronavirus appears to have displaced the fear of Big Pharma's big prices.