

Will the Pharma Industry's Response to COVID-19 Positively Affect its Image? A Commentary

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George A. Chressanthis, Ph.D., Principal Scientist, Axtria Inc.

1. Pharma Industry Response to the Coronavirus Pandemic

The pharmaceutical industry has stepped up in a big way in search of vaccines and effective treatments for COVID-19. One reference cited at least 250 drugs and 95 vaccines under investigation related to COVID-19.¹ The coronavirus pandemic has clearly shown the societal value of having a pharmaceutical industry with a robust capability to develop new medicines and to operate in an economic system that encourages innovation. The US is the world's engine of pharmaceutical innovation. The balanced US public policy

approach rewards pharmaceutical risk-taking needed to generate novel medicines through a patent system of limited duration, while encouraging an abbreviated process for entry of lower-cost copies of generics and biosimilars after patents expire to allow for broader public access. The result of this balanced approach is evidenced in the industry's response to the call to find COVID-19 vaccines and treatments.

Table 1 below shows just how extensive the industry's effort has been to find vaccines and treatments for COVID-19.²



Table 1. Pharmaceutical Companies Involved in Developing Vaccines and Treatments for COVID-19 (as of May 11, 2020)²

VACCINES	TREATMENTS
Arcturus Therapeutics	AbbVie
BioNTech	Adaptive Biotechnologies
CSL Behring	Alexion Pharmaceuticals
Dynavax	Alnylam Pharmaceuticals
GlaxoSmithKline	Amgen
Inovio Pharmaceuticals	Bayer
Johnson & Johnson	Biogen
Moderna	CSL Behring
Novavax	CytoDyn
Pfizer	Eli Lilly
Sanofi	Emergent BioSolutions
TranslateBio	Gilead Sciences
	Grifols
	Incyte
	Mesoblast
	Novartis
	Regeneron Pharmaceuticals
	Roche Holding
	Sanofi
	Takeda Pharmaceutical
	Vanda Pharmaceuticals
	Vir Biotechnology

Source: See the cited reference for the original data sources used to compile these lists.² All companies listed have a market cap of at least \$200 million.²

The questions posed in this short commentary are the following as a result of the pharmaceutical industry's extensive efforts to find vaccines and treatments for COVID-19:

- 1) Will these extensive efforts translate into an improved image that could mitigate adverse-effect policy efforts by those who have been critical of the industry?
- 2) What should the industry expect in the public policy area in 2020 and beyond in 2021?

2. Pharma Industry's Image and Repercussions After its Response to COVID-19

The pharma industry has been in the bipartisan political crosshairs for quite some time. The politics of the high cost of prescription drugs is the one issue that seems to generate bipartisan support across the ideological spectrum

as chronicled in previous politically-oriented published articles on the *Axtria Research Hub* (<https://www.axtria.com/axtria-research-hub-pharmaceutical-industry/>).³⁻⁷ Examples by the Trump administration in criticizing the pharma industry include tacitly allowing the importation of drugs, approving the importation of European foreign price controls for the reimbursement of drugs on Medicare Part B, proposing an end to rebates for drugs on Medicare, and public verbal criticisms and jawboning efforts by the President to call out pharma company CEOs for their pricing practices. Congressional hearings have also been held with bipartisan criticisms toward companies on their unfair pricing practices, allegations of abusing the patent system to protect higher drug prices for a longer time period, and the drafting of onerous proposals to lower directly drug prices (e.g., the Pelosi bill).



Drug prices will surely be a hot-button political issue in the upcoming 2020 presidential election. Democrats will clearly take aim against the industry as they did in the 2018 midterm elections, call for cuts in drug prices, and propose the direct involvement by the federal government to negotiate drug prices. President Trump, under this pressure, may use executive orders to expand drug price controls to show action on this issue, especially if the polls show him behind. Healthcare was a key issue that propelled congressional Democratic Party wins in traditional Republican suburban stronghold areas in the 2018 midterm elections.

Against this backdrop of negative and adversarial public and political sentiment against the industry, a natural conclusion might be that the overwhelming response by pharma companies to tackle COVID-19 (especially if successful) would be to see an increase (even a modest one) in positive public and political perception of its image. Unfortunately, recent survey evidence shows just the opposite effect. A national representative survey of over 1,016 US adults taken from May 11-22, 2020 by the non-profit West Health and Gallup organizations found that 88% respondents were “very” (55%) and “somewhat” (33%) concerned that the pharma industry would use the pandemic to raise drug prices.⁸

This survey result does not bode well for the industry, especially if more progressive political thinking controls the White House and Congress. The House may see an expansion of Democratic Party control if a win by Vice President Biden translates into coattail effects in downstream elections. The Senate could turn into Democratic hands, given the high number of Republican incumbents up for reelection. And a loss by President Trump, especially by large voter and electoral college margins, could mean his negative coattails dramatically affecting Congressional elections for Republican candidates. This means the industry should not expect to earn any “goodwill” in its efforts to find vaccines and effective treatments for COVID-19 from Democratic politicians who have been highly critical of them in the past. Likewise, it suggests that if public policy individuals within the industry were expecting to see a heightened risk of direct drug price controls pre-pandemic, successful actions by companies to tackle COVID-19 will not in any way diminish that risk post-pandemic. In fact, an alignment of White House and Congressional control by the Democratic Party will greatly increase the likelihood of onerous anti-pharma proposals that will adversely affect R&D investment, decrease the diffusion of new drug technology, and ultimately lower patient health outcomes and increase total treatment costs as shown

per previous academic research. This means 2021 may very well turn into a pivotal and turning point year for the industry, as what was once considered unthinkable becomes a reality – onerous price controls and other policy efforts to weaken the pharma industry.

Further complicating the development of COVID-19 vaccines and treatments is the pricing of such medicines.¹ Health technology assessments (HTAs) such as by the Institute for Clinical and Economic Review (ICER) will have a significant influence on the price governments and health insurers in developed markets are able and willing to pay.¹ There will likely also be a tiered global system of prices among developed country markets, depending on the degree of regulation of markets, and additional differences with developing (middle-income) and undeveloped (low-income) markets.¹ There will be tremendous pressure on all drug reimbursement budgets (public and private) if/when effective vaccines and/or treatments reach the market given the scale of demand.¹ Perceived improper pricing will have disastrous consequences for the industry. The industry should revisit previous global pricing systems, such as for antiretroviral medicines for HIV/AIDS, as potential models to follow.

3. Closing Remarks

The pharmaceutical industry has been a shining example of how private sector companies can generate tremendous innovation to address real societal needs when properly incentivized. This commentary looked at whether the pharma industry will receive any improvement in its image for its efforts to tackle the global coronavirus pandemic. Unfortunately, it is the opinion of this author that no such improvement will likely take place, regardless of how successful companies are in developing effective vaccines and treatments for COVID-19. This does not mean that companies should not try to tackle this global problem. It does mean the industry should carefully tread going forward, especially when creating the pricing of such vaccines and treatments, and to ensure maximum possible access of such medicines within the financial constraints of private sector companies, reimbursement organizations, and individuals. This will be no small task.

Furthermore, pharma companies need to develop empirical models to demonstrate the *societal* value of these COVID-19 medicines, given the rise of HTAs to counter drug company pricing. HTAs like ICER have been previously criticized by the industry's trade organization PhRMA on their methodology and making recommendations on drug prices that are set too low.⁹ Unfortunately, the industry potentially faces a no-win scenario. If the industry succumbs to the pricing recommendations set by HTAs for COVID-19 vaccines/treatments, this will have knock-on effects on future drug pricing decisions, such as in the sensitive area of anti-cancer medicines, where the industry has significantly increased its R&D investments. If the industry sets prices that are perceived as too high, it risks a political backlash and the imposition of onerous price controls. This outcome would result in disastrous effects on future R&D investments with adverse consequences on societal health and treatment costs.

Finally, the broader imposition of price controls is an existential threat to the industry, especially in an extremely contentious presidential election year. The successful development of COVID-19 vaccines and treatments should be used as an example by the pharma industry how the current system in the US that incentivizes drug innovation produces significant societal value for the short-term and long-term betterment of patients and the overall healthcare system. The pandemic has made clear the economic devastation caused by public policy social distancing and business closure mandates to control the spread of COVID-19. Calls to tamper and/or weaken the current system that provides a balance between rewarding companies for the high risk and cost of drug R&D of bringing new drugs to the markets, while promoting greater and faster patient access to drugs after patent expiration, should be vehemently resisted. Analytics will be the key in providing the supporting evidence of how such tampering will adversely affect future drug R&D, decrease the diffusion of new drug technology, lower health outcomes, and increase total treatment costs. Analytics will also be needed to demonstrate clearly the societal value of pharmaceutical innovation in order to prevent public policy measures designed to weaken the ability of the industry to address future unmedical needs and counter societal threats like COVID-19.

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George A. Chressanthis, Ph.D.

Principal Scientist, Axtria Inc.
300 Connell Drive, Suite 5000
Berkeley Heights, NJ 07922
E: george.chressanthis@axtria.com

Contact Us

+1-877-9AXTRIA
info@axtria.com

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