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Unreasonable Prices

The National Institutes of Health (NIH) finance almost one-third of medical research, much of which leads to the development of groundbreaking new drugs. But federal regulators and Congress have failed to require that companies that profit from this research promise to sell their products at reasonable prices.

As a consequence, Tamoxifen, for breast cancer, Xalatan for glaucoma, and other drugs crucial to patient care earn the companies millions. One treatment of Tamoxifen costs a consumer \$241.

More than a decade ago, the NIH had a “reasonable pricing” rule for drugs developed in part through federally-funded research. The companies that NIH selected to test and sell these drugs got exclusive rights to market them for a limited time, but would be required to offer them at a price that reflected the

public investment in the product and the need to serve the public interest. The drug companies resisted this rule, and refused to cooperate with the NIH on joint ventures. As a consequence, the NIH reversed itself in 1995, no longer insisting that such agreements with drug companies include a reasonable pricing clause.

Taxol, a potent breast and ovarian cancer drug, resulted in part from 30 years and more than \$30 million of NIH research. But from 1992 until the fall of 2000, Bristol-Myers Squibb had a monopoly on the drug, and has been able to sell the drug at a cost to consumers of about \$1,000 to \$2,000 a dose — \$10,000 to \$20,000 for a full course of treatment. Sales of Taxol brought in \$1 billion a year to Bristol-Myers Squibb.

The NIH in 1992 gave Bristol-Myers Squibb exclusive market rights on Taxol rights for five years. But Bristol-Myers extended its hold on the drug by suing companies waiting in the wings to make a substantially cheaper generic version of the drug after the five years expired. That litigation brought Bristol-Myers another three years. According to The Miami Herald, Bristol-Myers sales of Taxol total about \$3 million a day, with a profit margin estimated at 90 percent.

Even though Bristol Myers Squibb and other companies have compassionate care programs to give these expensive life-saving drugs to some impoverished patients, critics claim that the high cost of these drugs has continued to pose terrible financial burdens on many cancer victims. “There are people with second, third, and fourth mortgages on their houses to pay for this,” Jeffrey Kraws, a pharmaceutical analyst for Gruntal & Co., told The Miami Herald. “This isn’t cough medicine. People are dying.”

After two years of trying, Representative Bernie Sanders (I-VT) in 2000 got House approval of a rider in an appropriations bill that would have forced drug companies to charge “reasonable prices” for drugs developed at taxpayer expense. Sanders’ amendment to a spending bill for the Department of Health and Human Services passed overwhelmingly, by a vote of 313 to 109. But it died in the Senate when Senators voted, by a vote of 56 to 39, to table the amendment.

“The pharmaceutical industry is doing a good job protecting their interest,” former NIH head Dr. Bernadine Healy told CBS News. “Why is the government not protecting the government’s interest and the public interest?”

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