Debranding – the unacceptable face of pharma?

Excessive price hiking of generic medicines as they come off patent is rife in the UK and deprives the NHS of precious funds. On p44 health economists Farasat Bokhari and Bruce Lyons take a look at the phenomenon and ask whether debranding is an opportunity for generic pharma companies looking to make a quick buck at the expense of the tax payer.

Last year we reported and commented on a joint effort by Pfizer and Flynn Pharma to hike the price charged to the health service of the antiepileptic phenytoin sodium by over 2000%. The two companies did this by debranding the drug (previously marketed by Pfizer under the trade name Epanutin), thereby circumventing the government’s Pharmaceutical Price Regulation Scheme (PPRS), which caps total pharma profits. In effect, debranding allows pharma companies carte blanche to charge what they think the market will sustain. In the case of phenytoin sodium, Pfizer and Flynn were the only game in town and faced no competition from other generic manufacturers and looked to milk their position for all it was worth.

In the end, the UK Competition and Markets Authority (CMA) came to the rescue, fining the two firms a total of £89.5 million after finding them guilty of abusing a dominant position. The CMA is currently investigating a number of other cases where debranding has seen huge drug price increases.

The solution

Bokhari and Lyons point to the flaw in the PPRS that excludes generic medicines. If the price the NHS was prepared to pay was (as is the case with branded, patented drugs) capped by the company’s profits rather than driven by artificial market forces, it would remove the exploitation of monopolies currently responsible for price gouging.

When all is said and done, prescribers, the NHS and patients will always be reliant on globalised pharma to do the right thing and charge a reasonable price for their products. No one is suggesting that risk should not be rewarded and research and development costs recovered but gaming the system is deeply unfair.

The industry as a whole likes to make much of its commitment to healthcare and at times lays claim to what approaches altruism. If such claims are to be believed and its tarnished reputation restored, pharma needs to back off when it comes to exploiting regulatory loopholes such as the debranding scandal. As with tax avoidance, obeying the letter but not the spirit of the law does not best serve the interests of society as a whole.

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