Bernie Sanders, Don't Call Scientists in Pharmaceutical Industry 'Crooks'

By Alex Berezow, PhD — July 31, 2019

I've decided not to watch any of the presidential debates because I just can't take it. If a politician isn't saying something stupid, he or she is saying something insulting. Oftentimes, it's both.

Take Senator Bernie Sanders, for instance. Last night, he decided to call the hard-working scientists in the pharmaceutical industry a bunch of crooks. That's right, the same people who produce antibiotics, vaccines, HIV antiretrovirals, chemotherapies, and countless other lifesaving drugs are criminals. Why? Mr. Sanders said:

"I took 15 people with diabetes from Detroit a few miles into Canada, and we bought insulin for one-tenth the price being charged by the crooks who run the pharmaceutical industry in America today."

Yes, drug prices in the United States are very high. The reasons have less to do with ethics or criminality and more to do with our convoluted R&D and healthcare systems.

Why Are Drug Prices So High in the United States?
Before explaining why drug prices are so high, let's first acknowledge that there are some "crooks" in the pharmaceutical industry. Martin Shkreli comes to mind. That little dweeb jacked up the price of an HIV drug (Daraprim) from $13.50 per pill to $750 [3]. Why? Because he could. The company that manufactured the drug, Turing Pharmaceuticals, basically had no competition, so Shkreli could charge whatever he wanted.

It's worth pointing out that Daraprim is no longer protected by a patent and can be made generically. But if only one company manufactures it, they have a monopoly, even if other companies are allowed to make it. That is why encouraging the development of more generic drug manufacturers (as well as speeding up the approval process for generic drugs) is one key to lowering drug prices.

But crooks like Shkreli are the exceptions that give Big Pharma a bad name. High drug prices are due to some combination of the following:

(1) The exorbitant cost of R&D. Developing a drug can cost billions of dollars and take 10 or more years. Clinical trials (in which drugs are tested in humans) are particularly expensive. If a drug makes it to market, the company that developed it needs to recoup these costs. If the drug fails during clinical trials and does not make it to market, the company needs to make up for those losses by increasing the prices of other successful drugs.

(2) Insurance. If your company takes you out for dinner, do you care how much you spend on your meal? Probably not. Somebody else is paying for it. The same goes for drug prices (and healthcare as a whole). Because insurance companies often pay the bulk of our costs for us, we are not incentivized to seek out or demand lower prices.

(3) Patents. The protection of intellectual property is crucial to innovation. (An interview [4] I conducted with Patrick Kilbride of the U.S. Chamber of Commerce goes into further detail.) R&D is simply unsustainable if a company spends billions of dollars developing a drug only to have another company steal all that knowledge. Patents allow a company to profit -- for a limited time -- from the extreme risk they took. The question is how to balance intellectual property protection with society's interest in low drug prices. That may involve preventing companies from gaming patents, as Dr. Josh Bloom explained in this article [5] about Nexium.

(4) Desire to maximize revenues. Even if a drug is protected by a patent, a drug company can't set the price too high, otherwise few people would buy it. So a company charges as much as they think the market can tolerate. An article [6] by Senior Fellow of Medicinal Chemistry Dr. Christopher Gerry explains further.

(5) Medicare can't negotiate prices with drug companies. By law, the Department of Health and Human Services is not allowed to negotiate drug prices for Medicare patients. Currently, there are efforts to change that [7].
(6) Other countries can negotiate drug prices, so they freeload off the United States. Canadians, for instance, are a bunch of freeloaders. Who says so? Some Canadians themselves admit it. This op-ed [8] in Canada's Financial Post refers to its drug policy as "parasit[ic]." But it’s not just Canadians. Japan and Western Europe [9] are also freeloding off the U.S.

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The problem of high drug prices is multifaceted and complex. Referring to the pharmaceutical industry as "crooks" might be good for some cheap applause, but it is insulting and demoralizing to the thousands of scientists who work for it. Bernie Sanders should apologize.

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