

# Drug Price Gouge Is Not a Rationale For Government Controls

By Gil Ross — September 22, 2015



<sup>[1]</sup>This week, one company's beyond-exorbitant price hike of a 60 year-

old generic drug has led to a barrage of outraged cries for price controls on all pharmaceuticals.

The drug, Daraprim (pyrimethamine) is used to treat the parasitic infection Toxoplasmosis, which is most often contracted via contaminated food. Cats are also known vectors. The condition is quite common, but rarely causes serious disease, except in immunocompromised patients and pregnant women, in whom the disease can cause severe complications and birth defects. It was one of the opportunistic infections that affected AIDS patients before the disease was brought under control.

The complicated history of the drug's ownership is too long to discuss here, but the rights to it were obtained in August by Turing Pharmaceuticals, a privately-held enterprise of Martin Shkreli, a former hedge-fund manager. The big question is how a drug that was first patented in 1953 and, until recently, cost \$13.50 per pill, can now be sold for \$750. It is the exact same pill. The answer is that it can because it can, in a free market. Being generic is no guarantee of savings because products still have cost.

For the best, informative, sardonic yet accessible take on this sort of price gouging, again involving an old, generic product, read our Dr. Josh Bloom's recent *Science 2.0* posting, "[How's That Generic Drug Thing Working Out?](#)" <sup>[2]</sup>, here, from which I'll just pull one key passage:

*I have supported high drug prices <sup>[3]</sup> in cases where innovative new drugs make a substantial difference in prolonging and improving human health.... But there is a world of difference between paying a ton of money to a company that actually does something useful and one that simply uses its status as a monopoly to suck money out of you. They just plain suck.*

The latter designation clearly applies to Turing, which picked up drug needed by around 2,000 people and immediately used his new monopoly to extract whatever he felt the market would bear; in self-defense he noted that many drugs were far more expensive, while leaving out that new drugs cost about \$2 billion to develop and can prevent suffering and even higher expenses down the road (e.g., Gilead's hepatitis-C [drug combo](#) [4], including *Sovaldi*).

The "good" news is that many of the patients on Daraprim require only a several-week course of treatment to eradicate the *Toxo* parasite. For those few on Medicaid, it will cover almost all of the cost, even the \$50,000+ for chronic treatment. The bad news: Shkreli not only has no compunctions about this price gouge, but he [sounds rather proud of himself](#) [5]. When challenged on a TV interview, he came up with barely-credible cover stories, further outraging physicians and, of course, politicians, who are seeking to exploit this unacceptable situation for their own purposes.

[Asked 'how he sleeps at night'](#) [6], he replied, "You know, Ambien."

This sort of thing has been just what Senator Bernie Sanders (I-VT) needed in order to justify a plan by which drug companies would have to demonstrate how they spend their "exorbitant" profits, and those not hitting the *Sanders Line* would be forced to give up some of their profits to a vaguely-described government research facility charged with overseeing new drug development. Sanders recently suggested that Congress should break the Gilead *Sovaldi* patent (i.e, steal their intellectual property) to provide the drug to veterans at lower cost.

Democratic presidential candidate [Senator Hillary Clinton also jumped on the price control bandwagon](#) [7], tweeting against the gouging and promising her own drug-pricing platform Tuesday: "Price gouging like this in the specialty drug market is outrageous. Tomorrow I'll lay out a plan to take it on, stock prices of biotech and pharm companies fell around 5 percent. She will, it has been reported, enact laws forcing pharmaceutical companies to reinvest their profits into research and allowing for more generic and imported drugs. The proposal, which she'll outline in a speech in Iowa later today, would also allow Medicare to negotiate lower drug costs and cap out-of-pocket expenses, according to details of the plan sent out by the campaign.

We here at ACSH have long pointed out how it has been the government's own policies that have contributed to shortages of key generic medications, and the resulting opportunities for price gouging. For politicians to equate this one disgusting maneuver by an unscrupulous hedge-fund veteran to the pharmaceutical industry as a whole is patently disingenuous and just plain wrong. Shame on them.

*Addendum September 23rd:* Due to the outrage about his actions, Shkreli says he is going to reduce the price from \$750 - but has yet to reveal how much.

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