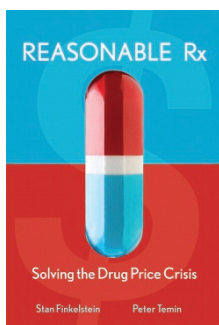


BOOK REVIEW

Be reasonable



Reasonable Rx: Solving the Drug Price Crisis

By Stan Finkelstein & Peter Temin

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Reviewed by Derek Lowe

What to make of this thin, strange, strongly argued book? The authors claim that the pharmaceutical business in the United States is in crisis because its prescription drugs have become too expensive. They believe this happens because the same organizations discover the drugs as sell them, leading the companies to try to recoup their high costs through aggressive marketing.

Before going on to the proposed solution, one should stop to ask how much of this is true. No one can deny that drugs have greatly increased in cost over the years, but at the same time, they still account for about 10% of US health care spending. And although the industry is indeed going through hard times, it is also true that drug development has become much more difficult over the years—thus those high costs. There's a certain chicken-or-egg character to the idea of blaming the state of the industry on the high prices themselves.

For the moment, let us assume the crisis is as presented. What, then, is to be done? The authors advocate changing the industry's entire structure, splitting drug discovery firms from drug marketing firms and interposing a new, government-sponsored 'Drug Discovery Corporation (DDC)' between them. This DDC would serve as a financial middleman, auctioning off new drugs (after phase 3!) to the marketing companies and paying the discovering companies from the proceeds (and from other sources, vaguely cited as various cost savings and money from foundations). But the new corporation would do more than just transfer money: it would also be able to steer research into areas deemed more important by altering these payouts according to the perceived utility of a given drug.

A good many pages are spent assuring the reader that this idea is better than it sounds. The book's favorite example is the reworking of the American power industry into power generating and distribution companies. This is too simplistic. Generating electricity is nothing like drug discovery: as many managers have discovered to their sorrow, when you spin the turbines faster at a drug company, more product does not necessarily emerge. And electricity is perfectly fungible and indistinguishable, while every drug is a market (and a story) unto itself, with its own intellectual property concerns and its own lifetime. The longer

one thinks about the comparison, the more specious it becomes.

And as for the DDC, the authors are brave enough to mention three examples of similar government-chartered corporations that they say have worked out well: one is the US Postal Service, which may cause some readers to raise an eyebrow, but the others are the mortgage companies FNMA and FMAC, better known as Fannie Mae and Freddie Mac. At which point, both eyebrows will go up. To be sure, this book was written before the current financial turmoil, but that only serves to illustrate some fundamental problems with its central idea.

This proposal is, in the end, a technocratic solution where "science would rule the decision-making" through the dispassionate judgments of "thought leaders." But it's hard to believe that this could work, given the amounts of money involved. Politics are simply unavoidable. The call for the new DDC to set public health priorities by altering its payout amounts would seem a clear invitation for meddling of all kinds. The authors have the path of virtue in mind, of course, but as the examples of the tax code and the federal mortgage business show, the temptations to keep turning the knobs on such machinery seem overwhelming.

To their credit, the authors are clear that their plan would require the public to take on a much larger share of the risks of drug development, as opposed to the current system where that risk is borne by the drug companies themselves and their investors. How well this would be received is an open question. The general public doesn't seem to have a good picture of those risks—in fact, most people don't have a clear idea of where new drugs come from at all. Asking healthy people to pay for drugs that they do not (and may never) use would be interesting to watch, to be sure.

Aside from the merits of their case, the authors have some problems in their presentation of it. In Chapter 6, they quote a Massachusetts Institute of Technology study as showing (in their words) that a compound that emerges from a screen with "confirmed biological activity" has a 13% chance of making it to market. If only that were true! The most recent data would seem to indicate that the chances of a compound are lower than that, even after it has started clinical trials.

There are many other oddities. On page 130, the "impressive stability" of the large drug companies is adduced as proof of their ability to mitigate risk, whereas the very next page speaks of the disastrous 2006 failure of torcetrapib, which (as the authors point out) caused Pfizer's stock to drop 10% (\$20 billion of market value) in one day. The authors go on to say, "Imagine if Pfizer had developed torcetrapib with biomarkers" to determine which patients in the clinical trials would have experienced the toxicity. But as the higher mortality in the drug treatment group was completely unexpected (and is still a subject of anxious debate), how exactly was any such biomarker to be found beforehand?

These sorts of statements make reading this book a frustrating experience at times because from the viewpoint of a drug industry researcher, the authors' hearts are in the right place: they do recognize that drug discovery is difficult and risky (even if their numbers are off), they want nothing more than for companies to continue to explore new therapeutic areas in the hope of a profit, and they have no brief for strict price controls. All of this is refreshing to see in a book proposing to remake the industry. But the solution they propose seems to be workable only on some other planet, in the hands of a different and somewhat more rational species than ours.

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