

Health reforms 'could hit biotech companies'

Washington. The spectre of price controls as outlined by President Bill Clinton in his health-care reform package is already having a negative impact on the ability of US biotechnology companies to raise investment capital, according to a survey of such companies released in Washington last week.

The survey found that, if Clinton's pricing proposals are implemented unchanged, and if the US capital markets dry up as a result, most companies say that they will be forced to seek foreign partners and buyers, and to scale back their expenditure on research and development.

The survey, entitled *Price Controls and the Future of Biotechnology*, was undertaken by Robert M. Goldberg, a senior research fellow at the Gordon Public Policy Center at Brandeis University, who surveyed more than 200 companies involved in therapeutic drug development.

Replies were received from 107 companies, of which 73 were publicly owned. More than two-thirds of the companies were involved in developing drugs for the treatment of cancer, a half for treatment of AIDS and a half for infectious diseases.

Of the 81 per cent of the companies surveyed that planned to raise capital in 1993, 60 per cent said they either withdrew

or postponed stock offerings, or fell short of their funding target; 27 per cent met target and 13 per cent exceeded target.

The Clinton plan is not explicit about its proposed controls on drug pricing, but it contains two key provisions. One would be the creation of an advisory council on breakthrough therapeutic drugs which, along with the secretary of Health and Human Services (HHS), would review the "reasonableness" of a manufacturer's price for such drugs.

In addition, the secretary would be given authority to negotiate special rebates or discounts on all new drugs sold to Medicare patients (senior citizens). In cases where agreement cannot be reached, the secretary would have the power to blacklist the drug.

Industry officials and stock market analysts argue that, if implemented, such heavy-handed regulation — which they say virtually amounts to price controls — would scare off nervous investors, and drive investment away from what is already a high-risk sector.

They argue that, as it stands, the plan's definition of "reasonableness" is too narrow. By focusing heavily on unit manufacturing costs, it fails to take into account the drug failures within a company, as well as economic benefits, such as reduced costs

associated with less surgical intervention and shorter hospital stays.

"The board doesn't bother me as much as the reimbursement exclusion power of HHS," says Jeffrey Casdin, senior vice-president for biotechnology investment research at Oppenheimer & Co. "If the system can't allow for a huge winner every once in a while, it's very hard to convince people to put up capital knowing they're going to lose most of the time."

Stelios Papadopoulos, managing director of investment banking at PaineWebber, points out that, faced with possible caps on the prices of new drugs, people will simply shift their investment opportunities elsewhere. Papadopoulos compares investing in biotechnology companies to buying lottery tickets: people buy into them in the hope that if they win, the winnings will change their lives. "Why would anybody buy a lottery ticket if the maximum [payout] was \$1,000, even if the odds were great?"

According to Goldberg's survey, the prospects facing biotechnology companies for raising capital this year appear no more than lukewarm. Only 55 per cent of companies rate their chances as fair, while 23 per cent say they are discouraged at the prospect.

Diane Gershon

French fossil-hunters defend the value of public support

Paris. A leading French palaeontologist last week defended the value of amateur fossil hunters to research workers, amid renewed calls for the introduction of legislation to protect sites in France from collectors.

The lack of legislation had been highlighted by the decision of Jean-Pierre Maggi, the mayor of the small town of Velaux near Marseille, to bring proceedings against a fossil hunter, Xavier Valentin, for "spoiling the image of the town".

Valentin had removed dinosaur bones from a nearby site, and Maggi says that such sites should be protected for "future generations who will have more scientific means available". But Eric Buffetaut, a Centre National de la Recherche Scientifique (CNRS) researcher at the Laboratory of Palaeontology and Stratigraphy at the University of Paris VI, says the mayor's argument reflects widespread misunderstanding of the importance of amateur palaeontologists to research.

According to Buffetaut, researchers lack the resources to dig the many areas where fossils occur rarely. In particular, he says, amateurs often find recently exposed fossils in cliffs or sites uncovered by floods, which would otherwise be destroyed by erosion.

Buffetaut argues that amateurs such as Valentin have contributed many valuable specimens to his group, and to the museum

at Esperaza (see below). Although commercial or poorly trained fossil hunters are a big problem, any legislation should be restricted to protecting geologically stable sites of special scientific interest, he says.

Buffetaut has also been involved in a

graduate, confirmed that the area was the richest site for dinosaur remains in France.

Le Loeuff planned to use income from the museum to support his research. Few palaeontologists are being recruited in France, and although Le Loeuff is applying for a post in the CNRS, it has twice rejected him.

But according to Buffetaut, who is president of the non-profit association set up to run the museum, the council kept three-quarters of the income, instead of just collecting rent as agreed. Buffetaut also says that the council refused to hand over the running of the museum, as it had promised to do. This prevented the association from seeking other partners to help expand the museum, and caused administrative absurdities; researchers, for example, could not enter the museum after 6 p.m.

Last November, Le Loeuff decided to protest. He hid the exhibits and closed the museum, which had attracted more than 40,000 visitors in the year after it opened in 1992. As a result, the number of visitors to the town plunged, and last month the council backed down. The association will now run the museum, and "we will get all the money", says Le Loeuff.

Declan Butler

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Esperaza Museum: open again to visitors.

separate dispute that had threatened to close a popular dinosaur museum in Esperaza in southern France. The dispute ended last month when its creator, palaeontologist Jean Le Loeuff, won a battle with the local council over who should control the museum.

Le Loeuff first went to Esperaza in 1988, shortly after the discovery there of fossil dinosaur eggs. Subsequent digs by Buffetaut's laboratory in Paris, where he was a post-

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