

## Proposal for San Francisco to negotiate drug prices makes waves

The public health departments of US municipalities routinely obtain drugs at a discounted rate through federal programs or state initiatives. But a global AIDS nonprofit would like to see the City of San Francisco negotiate prices even cheaper than those offered through programs such as Medicare and Medicaid. On 29 August, the AIDS Healthcare Foundation (AHF) announced plans to put a proposed law on the November 2013 municipal ballot in San Francisco that would compel the city to directly negotiate with drug companies to lower the cost of medicines it dispenses through its public health programs. The city currently belongs to a national purchasing group and therefore does not routinely engage in direct talks with drug companies on HIV—or any other—medications. The plan represents an unusual attempt to control rising drug prices in the US, but experts wonder whether it is a workable solution.

The city's department of health currently provides discounted medicines to residents who meet federal poverty guidelines through San Francisco General Hospital and the 13 outpatient health centers the city operates. For HIV drugs, the numbers are relatively small. David Woods, pharmacy director for the San Francisco Department of Public Health, estimates that the city currently provides HIV medications at prices 40% lower than market cost to fewer than 500 city residents via the hospital and other programs. However, Woods expects the number of those eligible to receive the discounted drugs will nearly double next year when portions of the US Affordable Care Act go into effect.

AHF, which provides medications worldwide and is the largest nonprofit provider of HIV/AIDS care in the US, would need to collect nearly 10,000 signatures before June 2013 to meet regulations that would allow the proposal to appear as a ballot initiative in voting booths next year. "We're asking voters in San Francisco to use the power of the city to try and demand better pricing on drugs," says Ged Kenslea, a spokesperson for AHF, based in Los Angeles.

The organization plans to encourage the City of San Francisco to directly negotiate prices on perhaps as many as two dozen HIV drugs, as well as some cancer therapies. "We don't want to pre-judge what can be accomplished," says Michael Weinstein, AHF president, explaining why the initiative does not target a particular number of medicines. The four-in-one antiretroviral pill called Stribild, which was approved on 27 August by the US Food and Drug Administration to treat HIV infections, provided the impetus for the initiative. Gilead Sciences, the drug's manufacturer, headquartered 20 miles south of San Francisco, has marketed the once-daily pill at an annual wholesale price of \$28,500—a 35% premium over Atripla, a three-in-one fixed-dose drug commercialized jointly by Gilead and New York's Bristol-Myers Squibb.

If approved by the San Francisco electorate, such a municipal drug-pricing law would be unprecedented. But the organization may have unrealistic legal expectations regarding how the act of negotiating would be policed, says economist and lawyer Erik Gordon at the Ross School of Business at the University of

Michigan–Ann Arbor. "What does it actually mean to say the city must negotiate harder? Do they have to say no twice? Do they have to arrange for a price that is 50% lower?" Gordon has doubts about the efficacy of the measure: "It's a publicity thing more than anything."

Kenslea says the organization wants other groups to follow suit and encourage similar laws to be enacted in local communities, thus sending a message to large drug companies that high prices will not be tolerated. As of press time at *Nature Medicine*, however, no other group appears to be joining in.

Patient advocates agree some action must be taken to control the seemingly runaway prices of HIV medications. But Anne Donnelly, a healthcare policy director at Project Inform, an advocacy group in San Francisco, argues that reform efforts would do better to focus on action at the federal level, where officials have more power to negotiate with companies. "The bottom line is that AHF probably needs to do a little more research into their initiative prior to proposing it as a ballot measure," Donnelly says.

Other experts note that discounts on medicines could put a strain on drug developers' research budgets. "Companies have a good point in that if they just arbitrarily lower the prices of drugs, it will cause problems for innovation later down the road," says Joshua Cohen, a health economist at Tufts University's Center for the Study of Drug Development in Boston, Massachusetts. He is, however, sympathetic to the general cause: "I'm not defending [the AHF], but I do understand it."

*Kathleen Raven*

## NCATS gains first chief and positions for industry partnerships

As the US National Center for Advancing Translational Sciences (NCATS) approaches its first birthday, it can celebrate the appointment of its first director, Christopher Austin, and begin to build up the industry partnerships it needs to succeed. NCATS, the newest branch of the US National Institutes of Health (NIH), was signed into law by President Barack Obama in December 2011 and is charged with creating faster paths to bring drug research into actual medical use.

Austin is a neurologist who has been with NCATS since its inception, heading the division of preclinical innovation. His career includes a seven-year stint at pharmaceutical giant Merck, though he has spent the past decade with the NIH. Austin

says that NCATS will "lift all boats" of drug research, given the center's disease agnostic platform. Initial critics of NCATS worried the government was creating its own branch of drug development, but Austin "realizes that the NIH does not discover drugs," says Steven Paul, a neuroscientist at Weill Cornell Medical College in New York who served on the NCATS search committee for the director position. Paul described Austin as an optimistic leader, which was apparent in Austin's comment to *Nature Medicine* that drug companies and researchers are playing an "obligatorily team sport" and must learn to better collaborate.

To date, the center has already signed on eight pharmaceutical companies, including

Pfizer and AstraZeneca, to help researchers find new therapeutic uses for 58 developed compounds. It has also funded development of three-dimensional chips that accurately model human organs to test the safety and success of a drug. "It's been a short time frame, and they've done a lot with not the largest budget in the world," says Margaret Anderson, the executive director of the Washington, DC–based think tank FasterCures.

The NCATS team is working with an annual budget of \$575 million, which they've used to build a staff of around 250 individuals thus far. Austin took office as head of the center on 23 September, his birthday.

*Susan Matthews*