The Horrible History of Big Pharma

Important Study by Global Justice Now. "Why we can't leave pharmaceutical corporations in the driving seat of the Covid-19 response"

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Executive summary

Any long-term solution to the deadly Covid-19 pandemic involves the discovery and equitable distribution of an effective vaccine and treatment options. Yet, across the world, governments are handing responsibility for Covid-19 solutions over to big pharmaceutical firms, who have a long track record of prioritising corporate profit over people's health.

The pharmaceutical industry is one of the biggest and most profitable in the world. Many of the individual corporations that constitute 'Big Pharma' enjoy annual revenues well in excess of the majority of countries on the planet. Judged by revenue, Johnson & Johnson is wealthier than even rich countries like New Zealand and Hungary. Pfizer's revenues are bigger than oil-rich Kuwait or Malaysia.

Leaving Moderna aside, which currently has no products on the market, the six other giant corporations covered in this report made combined revenues of $266 billion last year, with profits of $46 billion. Consider these figures in comparison with the US's unprecedented programme of public spending on vaccine development, which could reach $18 billion,[1] but is currently at around £11 billion, most of which has been handed over to the same rich corporations detailed in this report.[2]

Many commentators look at the work of some of these corporations in 2020 – developing vaccines at breakneck speed – and conclude that, whatever the problems with 'Big Pharma', they have nearly delivered the goods.

But this is to miss many important elements of the story which, when taken together, show that the current pharmaceutical model is actually deeply flawed, with its drive to make sky-high returns to shareholders, not a healthier population. The pursuit for very high returns incentivises the most appalling behaviour.

The cases we examine include:

GlaxoSmithKlein (GSK) which, less than ten years ago, was handed a $3 billion fine after it admitted to giving kickbacks to doctors in the US and encouraging the prescription of unsuitable antidepressants to children.[3] Doctors and their spouses were flown to five-star resorts, given $750, and access to snorkelling, golf and deep-sea fishing.[4] The corporation also published an article in a medical journal which misled about the safety of a drug in children, and then used the piece to try to drum up business.[5]

GSK has also been fined in Britain for paying producers of generic drugs to delay entry of generics onto the market.[6] And it hiked the price of an asthma inhaler by nearly 18% on the US market, raising the price to often over $300 per month,[7] helping this blockbuster drug make the corporation over $100 billion.[8]

Pfizer was in the top 30 most profitable corporations in the world last year, with $52 billion in revenue and a whopping $16 billion in profits.[9] Back in 2013, a case study revealed one small example of how it reached that position. Pfizer and its UK distributor Flynn hiked the price of on anti-epilepsy drug which 48,000 UK patients relied upon. As a result, NHS expenditure on the capsules rose from about £2 million a year in 2012 to about £50 million in 2013 with the price of 100mg packs of the drug rising from £2.83 to £67.50, before reducing to £54 from May 2014.[10] Overall, UK wholesalers and pharmacies faced price hikes of 2,300% – 2,600%.[11]

Meanwhile, Pfizer's testing of experimental new drugs during a meningitis outbreak in Kano, Nigeria, dogged the corporation for 20 years, and was reportedly the inspiration for John le Carré's novel The Constant Gardener.[12] Pfizer tested a new drug during a serious meningitis outbreak.[13] But an employee claimed Pfizer's trial violated ethical rules,[14] and in the years that followed, several lawsuits were initiated, in Nigeria and the US, with claims that the parents hadn't given meaningful consent because they hadn't realised their children were part of an experimental trial.[15] Ultimately, Pfizer agreed to out of court settlements of $75 million with the state of Kano[16] as well as payments of $175,000 to four sets of affected parents[17] and denied any wrongdoing.

In 2013, Gilead faced extensive criticism for the pricing of its new hepatitis C drug (and possible Covid-19 treatment) Sovaldi, introduced to the US market at $84,000 for a 12-week course. A US Senate committee investigation concluded: "it was always Gilead's plan to max out revenue, and … accessibility and affordability were pretty much an afterthought."[18] Gilead's next hepatitis C drug, Harvoni, was priced at $94,500. Following release of these drugs, Gilead's corporate profits increased fivefold to $21.7 billion[19] with Hep-C drugs generating nearly $62 billion in sales since 2013.[20]

While drug companies typically claim that high prices are necessary to recoup the high costs of manufacturing, this kind of defence looks ridiculous in the case of Sovaldi. According to Professor Jeffrey Sachs, Gilead may have spent around $300 million on research and development (R&D) for the drug,[21] a figure that would be recouped in just a few weeks of US sales of the drug. To add insult to injury, the advocacy group Americans for Tax Fairness, accuse Gilead of reducing its tax bill by moving some of its intellectual property to Ireland, cutting $10 billion between 2013 and 2015, the period in which its profits were booming from its hepatitis C medications.[22]

Johnson & Johnson (J&J), currently the biggest pharmaceutical corporation in the world, made $82 billion in revenue over the last year, and $15 billion in profit.[23] It was the seventh most profitable corporation in the US in 2020,[24] and in the top 30 most profitable corporations in the world.[25] Perhaps this is unsurprising given its record of hiking prices. Between 2016 and 2018, for example, the company increased the US price of bestselling leukaemia and prostate cancer drugs by 19% and a HIV medication by 16%.[26]

J&J owns the patent for bedaquiline – one of only three new tuberculosis drugs to be developed in over 50 years.[27] But despite public investment and subsidies for the drug constituting five times the investment put in by J&J,[28] the corporation has sole rights to determine the countries in which the drug is sold.[29] Médecins Sans Frontières (MSF), which contributed to the development of the drug, has criticised J&J for the prohibitive costs it has placed on access, arguing that the drug could be produced at a profit for just $0.25 per day and, therefore, should be sold at no more than $1 per day – $600 for a 20-month treatment. The lowest price J&J charges is double this, with the price much higher in countries ineligible to purchase through the Global Drug Facility – including Indonesia, the Philippines and Angola.[30]

Pfizer and GSK produced a vitally important pneumonia vaccine,[31] which MSF claims is far too expensive for many of those who need it.[32] While MSF has won price reductions for lower income countries,[33] it says the reductions are not close to sufficient, as the costs are still “roughly US$9 for each child to be vaccinated in the poorest countries, and as much as $80 per child for middle-income countries that don’t qualify”.[34] Campaigners claim: “Pfizer and GSK have earned over $50 billion in sales of the pneumococcal vaccine in the past ten years, with Pfizer winning the lion’s share of these revenues. Today, 55 million children around the world still do not have access to the pneumonia vaccine, largely due to high prices.”[35]

Sanofi is the sixth biggest corporation in France, making $42 billion in revenue and $3 billion in profit last year. It has been accused of hiking up prices for their insulin Lantus[36] by 18% each year from 2012 to 2016 in the US, during which time $22 billion of US public money was paid out via Medicare and Medicaid to purchase the drug.[37] Sanofi repeatedly blocked the emergence of competition for Lantus in the US by filing 74 patents applications, with the potential to delay the emergence of competition for 37 years.[38]

In May 2020, AstraZeneca (AZ) usurped Shell to become the UK’s most valuable company by market capitalisation (the total value of a company’s outstanding shares), with a 15% gain in equity so far this year to £115 billion.[39] The company has a relatively clean image compared to some of its competitors, but not an unblemished one. It has been accused, among other things, of preventing generic competition. The European Court of Justice upheld a decision made by the European Commission that found AZ guilty of abusing its market position to delay the introduction of generic versions of its stomach ulcer treatment Losec. When AZ introduced a second-generation version of Losec to the market, the company deregistered its market authorisation for Losec in several EU member states. AZ’s move prevented generic drug manufacturers from relying upon the clinical trials conducted for the treatment, undermining the introduction of cheaper generic products, and AZ was ordered to pay €53 million.[40]

These case studies are examples inherent in the current Big Pharma model. In short, the pharmaceutical sector is driven by the need for very high returns by a handful of mega corporations. In recent years, pharmaceutical corporations have often spent more on share buybacks to keep stock price high, and on dividend payments to wealthy shareholders, than they have on research and development of new drugs.[41] Many essential medicines, like new wave antibiotics, are currently not being developed precisely because Big Pharma believes there is insufficient profit involved.[42]

Where useful research into essential medicines does actually take place, it is usually driven by public funding. And yet few conditions are placed on this funding, and big pharmaceutical corporations are allowed to sit on patents for a minimum of 20 years, monopolising supply and dictating prices. This artificially limits access to medicines at affordable prices – all to benefit from high profit margins.[43]

Sadly, we can see these problems already at play in the development of coronavirus vaccines and treatments.

In early November 2020, Pfizer made headline news around the world when it announced its vaccine candidate was more than 90% effective in preventing Covid-19.[44] The announcement drew attention to the fact that Pfizer has so far made no promise to limit profits and has presold over one billion doses to rich governments, representing just 14% of the world's population. This represents 82% of the 1.35 billion doses Pfizer says it has the capacity to produce by the end of next year.[45] Pfizer has been outspoken in its desire to maintain patents and has derided attempts by the World Health Organisation (WHO) to create a patent-free mechanism to pool coronavirus research and development, commenting: "At this point in time, I think it's nonsense, and… it's also dangerous."[46] Pfizer's drug is predicted to make $13 billion in 2021.[47] While the company claims not to have received any direct public support, its partner in the vaccine production process has received significant funding,[48] and the massive advance bulk purchases of a drug of unknown efficacy (at the time of purchase) represents significant public resources.[49]

Moderna has also issued positive results for its vaccine but has already sold 780 million doses to rich governments – representing 78% of the one billion doses the corporation says it has the capacity to produce by the end of next year.[50] Public money totalling $2.5 billion directly contributed to this vaccine.[51] Campaign group Public Citizen claims that in effect this means "Taxpayers are paying for 100% of Moderna's COVID-19 vaccine development. All of it".[52] Yet the USA has subsequently bought up to 600 million doses, an amount thought likely to make the company $8 billion.[53] What's more, Moderna is proposing a vaccine cost well above the average. Moderna's two-dose vaccine regimen is estimated to cost between $64 and $74 per person under its cheaper 'pandemic pricing'.[54]

Moderna has also been criticised for the huge amount of stock its corporate executives sold after the company announced early positive results in May 2020, when its stock price rose rapidly,[55] even though the results weren't released in any detail.[56] Hours after releasing, two Moderna executives sold off nearly $30 million in automated sale shares. Days later, Moderna's leading shareholder sold 1 million shares, earning $69.5 million.[57] Former Securities and Exchange Commission officials said the events were "highly problematic" and worthy of investigation.[58]

Gilead made an extraordinary application in the US for 'orphan status' on its drug remdesivir which it was believed could be used in the treatment of coronavirus.[59] This status gives special protection for drugs that could help a tiny number of patients – the very opposite of a pandemic. A public outcry led Gilead to withdraw their request and reverse the status.[60] Nonetheless, amid the spike in interest in remdesivir, Gilead's expenditure on lobbying US Congress reached a record high of $2.45 million

in the first quarter of 2020.[61] Perhaps even more alarming, Gilead's treatment has not been judged very effective,[62] and the WHO recommends against using it.[63]

GlaxoSmithKline and Sanofi are working on a vaccine which has received over $2 billion for drug development and expansion of manufacturing capacity. Up to a billion doses have been presold to rich countries, with 200 million made available for global distribution through COVAX. But according to Sanofi CEO Paul Hudson, the US would likely get access to the vaccine before the rest of the world.[64]

The promising vaccine being developed by Oxford University was to be produced on a nonexclusive, royalty-free basis. The director of Oxford's Jenner Institute told the media "I personally don't believe that in a time of pandemic there should be exclusive licenses." However, on entering a deal with AstraZeneca, the situation changed. The deal is exclusive and while the company maintains it will not profit during the pandemic, it has failed to release details of its contract and how it calculates research costs. It has been reported that AZ has the right to declare an end to the pandemic as soon as July 2021 with respect to its non-profit promise.[65] This would leave AZ free to charge monopoly prices on this public-funded vaccine beyond that point, even if the WHO has not officially declared an end to the pandemic.

Everyone wants to end this pandemic as quickly as possible. Most of us are excited by the positive vaccine trial results and amazed by the ingenuity of the scientists who have got us to this stage so quickly. And yet, we could do better and help end the pandemic in a fair and equitable way.

Imagine if the drive of the pharmaceutical corporations for ever greater profit was removed from the equation. Imagine if we could replace cutthroat competition and secrecy with collaboration and openness. Imagine if our research was driven solely by the desire to rid the world of disease and suffering, starting with the most serious and deadly conditions. When combined with our technological knowhow, the dedication of our brilliant researchers and the trust which such a model could inspire in the population at large, imagine what we could achieve.

Coronavirus gives us the opportunity to reset the way we produce medicines. If we seize the opportunity, the health of people across the world could look very different. If we achieve that, this awful pandemic could give way to a better, fairer world.

To achieve this, we need to put in place a better system. We are calling on the UK government to take following steps to ensure fair and affordable access to Covid-19 related health products:

1. Impose conditions on all UK funding committed to developing Covid-19 vaccines and treatments to ensure there are no monopolies on publicly funded health products.

2. Join and support the WHO's Covid-19 Technology Access Pool that will facilitate the

open licensing and technology transfer of Covid-19 related health products.

3. Support the proposal submitted by the governments of India and South Africa to waiver the relevant chapters of the WTO
global agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) for the prevention, containment and treatment of Covid-19.

4. Where patient access or research is restricted by intellectual property rights, issue Crown Use Licences for any patented technologies that are potentially useful for tackling Covid-19 and actively support other countries to do likewise.

5. Leverage the UK's position on the Gavi Board to ensure urgent changes are made to the COVAX Facility to push for at-cost prices, fair allocation between self-financing and funded countries, transparency and support for the COVID-19 Technology Access Pool.

6. Cease the UK's advanced purchasing of potential vaccines and contribute vaccine doses secured through bilateral deals to the COVAX mechanism above the minimum level required by the WHO's Fair Allocation Framework.

Introduction

The pharmaceutical industry is one of the biggest and most profitable in the world. Many of the individual corporations that constitute 'Big Pharma' enjoy annual revenues well in excess of the majority of countries on the planet. Judged by revenue, Johnson & Johnson is wealthier than even rich countries like New Zealand and Hungary. Pfizer's revenues are bigger than oil-rich Kuwait or Malaysia.

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Many commentators look at the work of some of these corporations in 2020 – developing vaccines at breakneck speed – and conclude that, whatever the problems with 'Big Pharma', they have nearly delivered the goods.

But this is to miss many important elements of the story which, when taken together, show that the current pharmaceutical model is actually deeply flawed, delivering outcomes which are poor value for money for the public sector, which exacerbate global inequality and which are driven by the objective to make sky-high returns to shareholders, not a healthier population.

We find that this central drive in the industry for very high returns incentivises the most appalling behaviour including aggressive marketing of inappropriate drugs, kickbacks to doctors, claims of testing drugs on children without proper consent, massive price hikes on essential medicines, profiteering, blocking competition, and secrecy.

Some of this behaviour has given rise to serious legal challenges and even some of the largest fines in history. Despite all of this, governments like our own regularly claim, despite all evidence to the contrary, that these incentives are vital for the production of medicines.

Before documenting this behaviour and examining the companies themselves, it's worth summarising the fundamental problems of our current pharmaceutical model:

The pharmaceutical sector is driven by the need for very high returns among a handful of mega corporations. In recent years, pharmaceutical corporations have often spent more on share buybacks to keep stock prices high, and dividend payments to wealthy shareholders, than they have on research and development of new drugs.[68] In fact, many essential medicines, like new antibiotics, are currently not being developed precisely because Big Pharma believes there is insufficient profit involved.[69] It is entirely possible that a vaccine, or at least an effective treatment regime, could have quickly been developed if we'd had a sector that was focused on making people healthy, rather than one structured around the imperative of accruing as much wealth from illness as possible.[70][71]

Where useful research into essential medicines does actually take place, it is usually driven by public funding. This report looks at how this is the case in the coronavirus pandemic, where a mix of basic research funding, support for clinical trials, expansion of manufacturing capability and, not to forget, mass bulk purchase of untested medicines has allowed for the rapid development of the treatments we so desperately need. But this situation is not unusual. Most essential medicines depend upon public funding.[72]

Sadly, few conditions are placed on this funding, and big pharmaceutical corporations are allowed to sit on patents for a minimum of 20 years, monopolising supply and dictating prices. This artificially limits access to medicines at affordable prices – all to benefit from high profit margins.[73] Private companies might well have a role to play in the development and distribution of medicines, but payment should not come in the form of monopoly power.

Coronavirus gives one of the most distrusted industries in the world[74] an opportunity to resuscitate its image, if it can convince the public that it has 'delivered the goods' – vaccines and treatments for coronavirus. Its public relations machine has gone into overdrive, with some corporations even promising not to profit[75] from any such drugs 'during the pandemic'.

But look closer and the dangers of leaving the world's healthcare in the hands of these corporations is already obvious: a lack of transparency and collaboration, artificial shortages of desperately needed medicines; a focus on selling most medicines to very rich countries, which is not only unfair but will actually make it much harder to control the virus;[76] and the transfer of vast amounts of public money into private hands for profiteering. Indeed, the fact that the outline of these problems is widely understood could be one driver of the worrying growth of 'anti-vax' sentiment in society.[77]

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