The Australian Situation

May 22, 2016 By Greg Jefferys

Whilst Big Pharma is a powerful adversary with no moral boundaries or ethics it is still possible to beat them on a national level. It does require these things:
1. Government officials who are good negotiators and can not be corrupted (yes they do exist)
2. National importation rules that allow personal importation of medicines (for personal use).
If a nation has these two things then they can beat Big Pharma and dramatically force down the prices of all pharmaceuticals but in this instance I use Hepatitis C medication as an examples.

So What Happened in Australia?

In Australia there is a government sponsored entity called the Pharmaceutical Benefits Scheme (PBS) which subsidises certain medicines once they are approved. The beurocrats at the PBS negotiate with the drug companies for a suitable price for. Of course the drug companies want the maximum price and the PBS officials want the minimum price.
In Australia Hep C was being treated with Interferon plus Ribavirin and the overall success rate was a little better than 50% and the side effects were a nightmare.
The price per treatment was around $50,000 and a little under 4,000 people were treated each year. (There are 10,000 new Hep C cases reported each year in Australia)

Because Gilead had the monopoly for Sofosbuvir and Ledipasvir and Bristol Myer Squib held the monopoly on Daclatasvir (which is of no use without Sofosbuvir) the two Companies were holding out for a price of above $84,000 for a 12 week treatment of Sofosbuvir + Ledipasvir (Harvoni) and around $45,000 for 12 weeks of Daclatasvir.

The negotiating team from the PBS (which included both government officials and several medical notables) were arguing for a price that meant that a treatment would cost the PBS not more than they were currently paying for the Interferon + Ribavirin treatment and the drug companies were holding out for the higher price because, they argued, that this treatment was twice as effective as the Interferon based treatment.

This argument had been going on for a couple of years and there was a stale mate until generic Sofosbuvir, Ledipasvir and Daclatasvir came along.

Dr James Freeman and myself began to assist people to access these new generic Hep C treatments and suddenly Gilead and BMS did not have the monopoly any more.
Suddenly large numbers of people in Australia were accessing generic versions of these drugs at a fraction of the cost that Gilead and BMS were asking.

At first the Australian medical profession were skeptical about how affective the new generic treatments

were and were reluctant to prescribe them for patients with Hep C but as the results of treatments began to flow through doctors saw that the generics were just as effective as the brand version and they started to prescribe them.

A small wave soon became a Tsunami and by December 2015, only 6 months after the first people imported generic Hep C treatments into Australia, more than 150 Australians per week were beginning treatment of their Hep C with Indian or Chinese generics.

These treatment rates meant that in 2016 we would expect to see more than 10,000 people treated with generic Hep C DAAs (Direct Acting Antivirals) in Australia, or double the treatment rate of previous years.

All this meant that Big Pharma no longer held a strong negotiating position, their potential share of the market was being rapidly eroded. This in turn gave the PBS a very strong position. They could say, "Either you drop your price or we simply let generics take over the market and you will get nothing."
So to cut a long story short, this is the deal that the Australian PBS came to with the drug companies.

They would pay for Harvoni about $60,000 per treatment, for Sofosbuvir about $40,000 and for Daclatasvir about $20,000 BUT... the big sting in the tail was that the treatments paid for each year would be capped at 6,000 treatments per year after which all treatments for that year would be supplied free by the drug companies.
In other words if the PBS provided 10,000 12 week treatments to patients in any year then the drug companies would supply the medicines for the last 4,000 treatments for free. Yes FREE.

The drug companies had reasoned that, based on figures for the previous 10 years, the PBS had treated an average of not more than 4,000 patients per year so by making the figure 6,000 there was not much chance of that many patients being treated.

However they seriously miscalculated.

There was massive media and public awareness of the new Hep C DAAs and their price and their affectivity and this resulted in huge media coverage of the new Hep C DAAs being listed on the PBS and a subsequent huge uptake of the medicines.
In the first three months of the new Hep C DAAs being on the PBS more than **6,000** people were treated, or four times the amount expected.
Using current figures it is likely that somewhere above 30,000 Australians will be treated with Harvoni, Sofosburvir and Daclatasvir and the drug companies will have had to supply 24,000 of those treatments for free!
This means that the Australian government is paying around $2,200 per treatment. The cheapest rate of any country in the world. Generic prices.

Why has this happened? Why is Australia getting such a good deal whilst the same drugs are costing US$80,000 plus per treatment in the USA where the US government actually subsidised the research and development phase of Sofosbuvir?

The reason is simple: Generics.

Because Australia was being flooded with generics Big Pharma saw that it would soon lose the Australian market entirely to generics so it had to do a deal fast.

Fortunately the Australian government negotiators were competent and were able to use there position of strength to squeeze a really good deal out of Gilead and BMS.

But the reality is that this was only possible because generics were about to totally dominate the Australian market for Hep C medicines.
This is how the people of the world can fight against the obscene profits that Big Pharma is squeezing out of the world's health systems.
Generics.
Governments of the world need to use generics at every chance and they need to encourage their citizens to use generics.
Governments can easily ensure that generics come from reliable manufactures and suppliers, this is child's play, simple.
Instead of the current situation, such as in Italy or Serbia and dozens of other coutnries, where the governments actively attempt to prevent their citizens access generic treatment.

If the use of generics is encouraged, not only in the treatment of Hep C but in diseases like cancer and so on then the prices of medicines will fall and all people will have a chance to access treatment.
Of course the drug companies should make a profit but a fair profit, not an obscene profit, not a profit that causes death and misery to hundreds of millions of people who are excluded from treatment because of the cost of the medicines, because of greed.

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