Companies and investors have not completely dismissed the UK Labour party’s proposals for cheaper drugs - but some ideas have proven more equal than others.

Perhaps the most surprising thing about this week’s proposals by the UK’s opposition party, Labour, to lower drug prices is that they have not been completely rubbished by the biopharma industry.

Among the company representatives and investors that Vantage spoke to there was a feeling that something needed to be done to address rocketing drug prices, and that at least some of the ideas put forward by the party’s leader, Jeremy Corbyn, had merit. But it might have been better if Mr Corbyn had focused on the more realistic suggestion of setting up a state-owned generics manufacturer, or even proposed to shorten the period of patent exclusivity.

As it stands, his highly controversial proposal of compulsory licensing – essentially sidestepping patents – is largely unworkable and potentially damaging to UK patients. And some commentators argued that Mr Corbyn was taking an old-fashioned approach that would not wash in an industry increasingly focused on complex therapies.

Rooted in the past?

“Labour’s view of the pharma industry looks like it’s been informed by some big pharma accounts from the blockbuster days of the 1980s,” said Nooman Haque of Silicon Valley Bank. “This policy is rooted in a past model, while the world is moving towards personalised medicine.”

Mr Haque suggested reducing drugs’ exclusivity periods to five years, as well as harnessing existing capabilities in the private sector, as more practical ways of lowering drug costs.

Mr Corbyn’s speech during the Labour party conference on Tuesday outlined two main proposals to lower UK drug prices, although a new policy document, Medicines for the Many, contains a more comprehensive list.

One idea is to create a state-owned company to manufacture generic drugs, something that in the case of products that have already gone off patent is not too controversial.

“This is potentially a very good thing, and I have no problem with it – on the contrary, I salute it,” Miguel Forte, chief executive of the Norwegian cell therapy specialist Zelluna, told Vantage.
This kind of thing has been done before, notably in the US, where in 2018 a non-profit partnership of hospitals formed a company, Civica Rx, to supply generic drugs, particularly those facing shortages (Civica Rx goes where generics companies fear to tread, September 7, 2018). At the time the company said it would launch its first products this year, but does not appear to have done so.

However, a state-owned generics maker might not be able to realise the kind of cost savings needed, argued Marc Voigt, chief exec of the immuno-therapy player Immutep - particularly if the company was supplying the UK market alone.

“What would be the scale of manufacturing? Would the price of setting up manufacturing be higher than buying from a supplier?” he asked, adding that the UK taxpayer might end up indirectly picking up the bill.

This stance was echoed by Silicon Valley Bank’s Mr Haque: “The UK government would have to spend on facilities and people when the private sector already does generics.”

Still, this proposal looks relatively simple compared with Mr Corbyn’s other big idea, compulsory licensing. This would involve the UK government issuing licences to allow the production of generic versions of patented drugs.

This is the concept that, predictably, the biopharma industry has balked at, arguing that patents help reward companies for investing in drug development, and that this kind of measure could threaten innovation by discouraging companies and investors alike.

Still, Mr Corbyn argued that companies that have benefitted from public research money should make their drugs affordable. He gave the example of the cystic fibrosis drug Orkambi, which has been the subject of a battle between its originator, Vertex, and the NHS over its £104,000 ($128,000) per year price.

Surprisingly, the Association of the British Pharmaceutical Industry described the case of Orkambi as “unacceptable”, but Zelluna’s Mr Forte argued that the avoidance of other care costs should also be taken into account when discussing this drug’s price.

Driving innovation away

There are still questions around how compulsory licensing might be done on a practical level and whether this approach would even be legal, depending on whether the UK ever manages to leave the EU and under what kind of deal.

But assuming that it did have the intended effect of lowering UK drug costs this could, counterintuitively, be bad for UK patients, Immutep’s Mr Voigt suggested: “If a very low UK price would harm your global reimbursement strategy, you’d avoid the UK.”

Meanwhile, Mr Haque highlighted another risk, namely driving companies away from doing research in the UK: “What incentives would companies have to do work here if the government is going to be so ruthless?”

However, he agreed that the current market was not competitive and admitted that some kind of change was needed. He proposed a different solution: establishing say a five-year period of drug exclusivity, then putting a contract out to tender among generics manufacturers, “so the government would be paying, but the private sector would be providing the solution”.

Meanwhile, Mr Voigt suggested more international benchmarking on pricing and better controls on tax havens. “I think it’s more about fine tuning the system rather than starting a revolution,” he concluded.

It is worth emphasising that Labour is not in power, so the likelihood of these proposals becoming reality currently looks slim. But after last week’s drug pricing plan by US Democrats, this issue is not going away. Maybe biopharma should take some action before being forced down a more radical route.