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Counting the cost of cancer medication

By Lynne du Toit

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The patient is often the loser in the race between original, clone and generic oncology medication producers. Big pharmaceutical companies tend to take advantage of privileged, 'first-comer' status to ensure maximum profits long after patents expire by creating clones of parent drugs, while generic producers wait to enter the market with more affordable alternatives for the patient.

Pharmaceutical companies invest significant resources in researching and developing medications, with their investments protected by patents that let them charge what they need to over a specified period of time to recover their outlay, and to reap the profits of the risk they take.

However, once those patents expire, generic medication producers can procure dossiers of these medications from specialist dossier developers, acquiring the information needed to research, develop, test and produce less expensive generic versions.

There's a third way to produce a particular medication, used by pharmaceutical companies to continue making maximum possible profits after patents expire. They create clones of their own products, sometimes manufactured at their own factories, but under a different name. This gives the pharmaceutical companies two revenue streams off what is effectively one product in two different packagings – and a first- and second-to-market advantage over generics, who come in at an obstacle-ridden third place.

Obstacles

These obstacles include doctors having established relationships with original products, which provide an easy bridge to clone products, and many doctors prefer to prescribe clones rather than generics because they are already familiar with the parent brand. Generic producers need to build those relationships, investing significant time and money in marketing and advertising initiatives.

Clone producers already hold all the pharmaceutical information and have a longer lead time to process their product through the erstwhile South African Medicines Control Council, now replaced by the South African Health Products Regulatory Authority. Generic producers, once they have procured the product dossiers, still need to complete research and product development, and then meet the demands of the authority before they can introduce their products into a market as third-comers.

Generic producers are often local companies intending to produce local, premium quality versions of international medications, and must import many molecules, which also places them at the mercy of fluctuating exchange rates.

Clones are produced in large production facilities, or even in the original producer's facilities, meaning that they can benefit from large scale manufacturing efficiencies, reducing their costs, while generics are often produced by smaller businesses wanting to bring more cost-effective solutions to patients.

Even though the regulatory body controls the pharmaceuticals introduced to market, it does not control pricing, which means that original and clone producers can set pricing without regard to market forces – while generic producers are forced, by their third-comer status, to compete more aggressively on price.

What does this mean for the patient?

In most cases, patients either have to pay for treatment themselves, or have to pay in for treatment once their medical aid funding has been completely absorbed by expensive original medication.

To provide an idea of how pricing works, a typical original oncology medication would cost R1,780 Its clone would sell for R774. Eurolab' s generic version of that product sells for R245.10 - an 86% saving compared to the original product and a 68% saving compared to the clone product.

Pharmaceutical companies have valid cause to recover the tremendous costs associated with research and development, trials and testing, but they do engage in questionable practices to extend their exclusivity over a product, such as releasing different formats of a medication to extend the life of a patent. This includes tricks such as releasing a different strength or formulation change, just before the patent on the original product expires.

There's also no doubt patent-holding pharmaceutical companies are overcharging for their products. For example, Thalidomide was a cheap product in its first iteration in the 1960s before it was withdrawn but is now one of the most expensive oncology drugs available – well beyond the means of most South Africans. This is the same drug, used for a different purpose – but with a ridiculously inflated price.

The exorbitant prices in the oncology pharmaceutical market pose the question: who is profiting from oncology patients, and who is focusing on bringing the costs of oncology treatment in South Africa down?

ABOUT THE AUTHOR

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