

Spin Doctors

July 1, 2002 By Denny Lee

Most media stories about skyrocketing drug prices boil down to this: Consumer advocates blame the cost on corporate greed at the expense of human lives; drug-makers reply that they need healthy profits to fund the high-risk R&D for lifesaving meds.

In April, the he said, she said resurfaced when the annual Fortune 500 list was announced, and drug-makers again ranked as the most profitable sector, edging out even financial firms at raking in cash. For every dollar of sales in 2001, Big Pharma made 18.5 cents in profit, compared to banks' 13.5.

With law-makers calling for price controls, the industry's P.R. machine went on the offensive, and *The New York Times* and *The Wall Street Journal* ran pieces with surprising headlines about shrinking profits ahead. Despite years of massive earnings, Pharma is fretting over three negative trends: no blockbuster drugs in the pipeline, brand-name drugs soon to go off-patent and generics eating away at sales. Giants such as Eli-Lilly & Co. reported a 22 percent drop in profits in the first quarter.

"We point to these challenges," said Jeff Trehitt, a spokesperson for the lobbying group Pharmaceutical Research and Manufacturers of America, "and say that we should avoid price controls because they hurt innovation." It seems to be a case of old whines in new bottles.

But do sliding profits really mean a drier pipeline? Activists automatically shake their heads. "They'd like us to believe their record profits will be reduced, and therefore efforts to restrain prices will compromise R&D," said Ron Pollock, head of Families USA, a consumer health group. James Love, a health advocate at Public Citizen, said the cash-rich companies protest too much. "When they talk about 'lower profits,' they are still making billions," he said. But at press time, with *Bristol-Myers Squibb* and *bankruptcy* in the same headlines, one thing was clear: The old Pharma story was due for a revision.
