

Daraprim Price Hike

In 2015, Turing Pharmaceuticals purchased the American marketing rights to Daraprim, the branded version of the drug known generically as pyrimethamine. The drug is on the World Health Organization’s List of Essential Medicines because it is used to treat the parasite infection toxoplasmosis, malaria, and is often used for people with compromised immune systems, including AIDS patients, as well as some cancer patients and elderly patients. After Turing purchased the rights to Daraprim, the company increased the price from \$13.50 per tablet to \$750 per tablet, raising the annual cost of treatment for some patients to hundreds of thousands of dollars.

The price increase sparked widespread criticism. The Infectious Diseases Society of America and the HIV Medicine Association sent a joint letter to Turing, claiming the increase to be “unjustifiable for the medically vulnerable patient population” and “unsustainable for the health care system.” Dr. Judith Aberg, of the Icahn School of Medicine at Mount Sinai, said that Daraprim will be too expensive for hospitals to keep in stock and that use of the drug would require special review, possibly forcing hospitals to seek “alternative therapies that may not have the same efficacy.” She stated, “This seems to be all profit-driven for somebody,” adding, “I just think it’s a very dangerous process.”

Turing founder and CEO Martin Shkreli, a former hedge-fund manager, defended the price increase. He claimed that many patients use Daraprim for less than a year, bringing the price more in line with other drugs for rare diseases. Shkreli stated, “Daraprim is 0.01 percent of healthcare costs in the U.S.,” and promised that Turing would negotiate volume discounts for hospitals. He also claimed that a tablet would only cost \$1 for patients without insurance. He noted, “I’m like Robin Hood... I’m taking Walmart’s money and doing research for diseases no one cares about.” He claimed that the money from profits would be used to develop new and better drugs.

Dr. Wendy Armstrong, professor of infectious diseases at Emory University, said in response, “An old drug is not necessarily a bad drug... This happens to be an incredibly effective drug and has been cheap and well tolerated by patients for years.” Armstrong and Aberg both noted that some patients who take Daraprim must use the drug indefinitely. Writing for *Bloomberg* and *The Washington Post*, Max Nisen described how the price increase was indicative of larger issues in the pharmaceutical industry. He stated, “Old medicines are still sold at inflated prices because there’s no mechanism to compel drugmakers to lower them.” Nisen added that pharmaceutical companies “justify drug prices by reminding the public that developing drugs is costly and failure-



prone. That's a fair point. But drug companies also announced more than \$50 billion worth of share buybacks and dividend hikes after the new [2017] tax-cut law passed."

In 2018, Shkreli was sentenced to seven years in prison for defrauding investors of \$10 million. But as Nisen points out, "Shkreli's fraud conviction stemmed from his hedge-fund days -- everything he did with drug prices remains legal." In May 2018, the price of Daraprim remains \$750 per pill.

Concept: Rationalizations and Causing Harm

Ethical Insight:

When Turing Pharmaceutical's CEO Martin Shkreli raised the price of Daraprim from \$13.50 to \$750 overnight, many were outraged by this price gouging. Shkreli rationalized that he was a "Robin Hood" and the money would go toward research of new and better drugs. But he seemed to convince no one but himself. The notion that Turing might take the profits from Daraprim to do research and development to create new drugs did not seem an adequate explanation for a 5,000% price rise.

Doctors decried that raising the price would only cause harm, noting that some patients remain on Daraprim for life. Daraprim is used by doctors and in hospitals around the world to treat the parasite infection toxoplasmosis, malaria, and for people with compromised immune systems, including AIDS patients, some cancer patients, and elderly patients. Moreover, those within and outside the medical community claimed that the drug's drastic price increase seemed motivated purely by greed.

Discussion Questions:

1. People may harm others in a number of ways—physically, psychologically or emotionally, financially, and even reputationally. In what ways did Shkreli's decision to raise the price of Daraprim so substantially harm others? Explain.
2. Harm to others can be justified if the person harmed gave consent. Is that the case here? Why or why not?
3. Harm to others can be justified if the harm caused was part of the harmer's role-related responsibility. Is that the case here? Why or why not?
4. Harm to others can be justified to prevent an even greater harm to the community as a whole. Can Shkreli claim that is the case here? Explain.
5. Does the harm inflicted here pass the "publicity test"? (watch *Causing Harm* to learn about this test).

6. If Turing's profits were directly invested in research and development that produced a new miracle drug, would any of your answers to the above questions change? Explain.
7. Do you think it is ever ethically justifiable to raise the price of a drug at a rate like Daraprim? Why or why not? For what reasons do you think the price of a drug could reasonably be increased? Explain.
8. Shkreli claimed to be a "Robin Hood" and that profits from Daraprim would be used to develop new and better drugs. Do you agree with Shkreli's defense of the price hike? Why or why not?
9. In what ways did rationalizations facilitate the rise in price of Daraprim? Explain.
10. As Max Nisen pointed out, the increase in the price of Daraprim was indicative of larger problems in the pharmaceutical industry. Other companies have similarly raised the price of drugs. To what degree do you think pharmaceutical companies have a responsibility to act ethically within the larger industry? How would a pharmaceutical company act ethically in this context?
11. How can companies protect against profit-driven rationalizations? How should a pharmaceutical company balance profits to continue research and development while keeping drug prices accessible for consumers? Explain.

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