

EpiPen: Out of Reach

EpiPen is a brand-name syringe that is preloaded with the drug epinephrine, which is used to quickly stop an acute allergic reaction such as food allergies or bee stings that could be life threatening. In 2007, pharmaceutical company Mylan purchased the product from Merck. At that time, EpiPen earned an annual revenue of around \$200 million. By 2015, annual revenue from EpiPen topped \$1 billion and accounted for approximately 40 percent of Mylan’s operating profits.

EpiPen’s profits are not the only value that has soared. Since Mylan began selling the product, it raised the cost of two EpiPens from around \$100 to around \$600, depending on buyers’ health insurance plans. Consumer groups voiced concerns over the affordability of the drug for those who need it. Congress launched an investigation into the large price hike. Mylan CEO Heather Bresch defended the increase in price, insisting it was justified by the improvements made to the product. She explained how EpiPen could be confusing to use and caused accidental sticks by patients. The version redesigned by Mylan is more ergonomic and has a lower probability of causing injury.

Mylan responded to concerns over the price increase by offering coupons for some patients for up to \$300 off. The company has also introduced a generic version of EpiPen that is half the cost of the branded version. Mylan extended the public awareness of the life-saving uses of EpiPen and provided free EpiPens to over 59,000 schools. In addition, Mylan provided special discounts to New York City schools that purchased EpiPen in bulk, as long as schools did not buy competing products. This deal, however, sparked an antitrust investigation from the New York Attorney General.

Mylan has blamed high-deductible insurance plans for the increased price, and Bresch has stated the need for greater transparency for drug pricing. Journalist Olga Khazan noted, however, that “one reason employers are moving to higher-deductible plans is because they’re reacting to rising health-insurance costs—which are climbing in part because companies like Mylan are hiking drug prices.” The costs are inescapable. EpiPens expire 18 months after manufacturing, and some patients may need to use more than one during that cycle or keep multiple EpiPens in different available locations for easy access. Describing the 12 times EpiPen saved her life, Ali Jaffe stated, “The reality is, we are spending money on a product we hope never to use, but sometimes, we don’t have a choice. I’m vigilant about checking food labels and asking about ingredients at restaurants, but as anyone with food allergies will tell you, life happens.”



In August 2017, Mylan finalized a \$465 million settlement with the U.S. Justice Department. In the agreement, Mylan did not admit any wrongdoing. The company reclassified EpiPen as a branded, rather than generic, product and paid the rebates to the Medicaid program.

Concept: Moral Myopia

Ethical Insight:

When pharmaceutical company Mylan raised the price of the life-saving EpiPen by 500% in just over seven years, CEO Heather Bresch seemed surprised that there was public outcry. Leaders at the company may have been suffering from moral myopia, which is an inability to see ethical issues clearly. Mylan was focused on profits and expanding the marketing of EpiPen. Common sense ethical issues seemed to have escaped the company leaders' vision and decision making. Indeed, in 2016, company leaders failed to realize how unseemly the \$98 million pay package for Bresch seemed to a public unable to pay approximately \$600 for the Epi-Pen two-pack. Amid concerns from consumer groups, medical professionals, and patients, Mylan found itself under investigation for the large price hike.

Discussion Questions:

1. What are the reasons and rationalizations that could have prompted Heather Bresch to believe the increase in the price of EpiPen was ethically justifiable? Do you think Bresch had moral myopia? Why or why not?
2. Who are the stakeholders in this case study, and what is at stake for each party? How might consideration of other stakeholders' perspectives have changed Mylan's approach to pricing?
3. What are the benefits of raising the price of EpiPen? What are the harms? Do you think raising the price could be ethically justifiable? Explain your reasoning.
4. In 2015, Mylan spokeswoman Nina Devlin stated, "Mylan has worked tirelessly over the past years advocating for increased anaphylaxis awareness, preparedness, and access to treatment." While Mylan's public awareness campaign led to greater availability of treatment for patients, it also raised the company's profits to new heights as a result of savvy advertising. Do you think a company can be both profitable and ethically accountable to its consumers? Why or why not?

5. If you were an executive of a major pharmaceutical company, how would you balance the need to serve consumers with the goal of advancing the company and effectiveness of your product? How would you avoid moral myopia? Explain.
6. The EpiPen case demonstrates the pitfalls of a number of biases and behaviors, including ethical fading, self-serving bias, and moral equilibrium. Can you identify these and other behavioral ethics concepts at work in this case study? Explain and discuss their significance.

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