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Director, Earth Institute at Columbia University

Gilead's Greed That Kills

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Gilead Sciences is an American pharmaceutical company driven by unquenchable greed. The company is causing hundreds of thousands of Americans with Hepatitis C to suffer unnecessarily and many of them to die as the result of its monopolistic practices, while public health programs face bankruptcy. Gilead CEO John C. Martin took home a reported \$19 million last year in compensation -- the spoils of untrammelled greed.

Hepatitis C is a global public health crisis, called a "viral time bomb" by the World Health Organization. 150 million people or more worldwide are estimated to be living with the disease. Untreated Hepatitis C can progress to cirrhosis, liver failure, and liver cancer. Every year, at least 700,000 people die from these complications -- although HCV can be easily cured with just 12 weeks of medicines being sold by Gilead.

Gilead insists it is saving lives. It claims that it is a hero of innovation, bringing new wonder drugs to the market to cure Hepatitis C, an often-lethal disease that infects almost three million Americans and perhaps 80 million or more people worldwide. The company certainly *could* be a hero, but is the opposite today. Gilead is the main obstacle between tens of millions of very sick individuals and the medicine that could end their suffering and save their lives.

Gilead owns the monopoly patents on two life-saving Hepatitis C drugs, Solvadi and Harvoni. Gilead did not discover or develop these drugs, except for a brief and modest role at the end of the drug-approval process. Gilead bought these drugs from their discoverers and developers in 2011, after a decade-long discovery and development process, and just before the FDA licensed the drugs in 2013. It bought them with the knowledge that it would use its greed and lobbying power to rip off the American people and deprive people around the world of the benefits of these wonder drugs.

Gilead's gambit worked like this. The U.S. Government funded most of the basic research for Sofosbuvir, the scientific name of the drug that underpins Gilead's two brand name drugs. Yet despite Sofosbuvir being discovered, developed, and tested through phase 2 clinical trials mainly with U.S. Government funds, the government-funded scientist and some early investors took the patent rights. Their private company, Pharmasset, had invested less than \$200 million in R&D. In truth, the U.S. Government should own most of the intellectual property on Sofosbuvir, but under U.S. law and practices it is private investors who reap the rewards and taxpayers who bear the burden and the consequences.

Gilead paid Pharmasset \$11 billion because it knew very well that it was about to rip off the American people and quickly recoup this sum and much more. Gilead announced that it would use its newly acquired monopoly rights to charge a whopping \$84,000 per treatment for Solvadi (and \$96,000 for Harvoni, a slightly different formulation), even though the actual production costs are estimated to be somewhere

around \$68 - \$136. Gilead's markup over costs may be close to 1,000-to-1, probably a world record.

How did Gilead choose the price? It chose it for one reason: because it could get away with it. Washington allows this kind of abuse to occur, indeed insists upon it. Medicare is obliged -- in one of the most absurd policies of our era -- to accept whatever price a pharmaceutical company asks for its patent-protected medicines! The result is a level of drug prices that bear no resemblance whatsoever to the costs of production (including the R&D), or to the socially optimal drug pricing that would enable sick people to be cured of their illness.

Gilead says that \$84,000 approximates the current last-ditch alternative (a liver transplant) but this is a ridiculous comparison; the new drug indeed allows people to be cured at a very low cost, so there is no reason to hark back to an out-of-date, ineffective approach that is too expensive for the vast majority of people suffering from the disease. Indeed, the taxpayers pay twice: first to fund the innovation, and second to feed a monopoly. From the company's point of view, soaking the taxpayer is the strategy; curing people is a sideshow at best.

By setting an outrageous retail price, Gilead tapped into federal spending on drugs under Medicare and Medicaid, and billed the U.S. and the states for around \$6 billion last year, something like \$4 billion paid by Medicare and \$2 billion paid by Medicaid, according to recent estimates. The federal and state governments therefore probably paid for more than half of the \$10 billion that Gilead collected in revenues in the first year of sales, basically enough to recoup the purchase price in less than two years.

Given the monopoly price, tens of thousands of Americans and millions of people around the world infected with Hepatitis C are being told by their doctors, their health insurers, or Medicaid, that they don't "yet" qualify for Sofosbuvir because they are not yet sick enough. Their livers are not yet scarred enough. They are not yet dead enough. They should come back when they are nearly dead, if it's not too late.

Sofosbuvir could reach tens of millions of people worldwide if the drug were available at its true production cost (inclusive of R&D). At \$500 per treatment, or even \$1,000, millions of people around the world would be able to access this cure. But today, only a tiny fraction do, those who are covered by Medicare, Medicaid, or private insurance to pay \$84,000 or some other astronomical price set by Gilead, or a sliver of people abroad who are lucky recipients of some specialized access program. Outside of the U.S., countries and patients must jump through so many burning hoops that access is fatally compromised, and the human right to health is fundamentally violated.

The end result is a continuing epidemic of Hepatitis C at the very moment that the disease could actually be eliminated or at least close to it. The New York Times has recently reported a new mass outbreak among IV-drug users, who are not able to gain access to treatment. These people are being left to die.

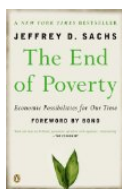
America has handed life and death decisions to corporate greed. Gilead is indeed the death panel that we were once warned about. Yet the Gilead death panel rations a life-saving cure not because it is too expensive to provide, but because it serves the interest of a patent-protected corporate monopoly. It is time for the U.S. citizens to demand the intellectual property rights that U.S. Government-backed science should give them; and for the government to use rational price-setting to tame untrammelled corporate greed and the monopoly power created by a highly inefficient and unfair patent system.

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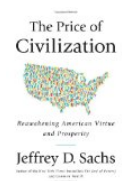
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