

**BUSINESS**

# Sovaldi fight shows we will pay for treatment but not a cure

By **Thomas Lee** | June 9, 2015 | Updated: June 9, 2015 4:43pm

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Photo: Christopher T. Fong, The Chronicle

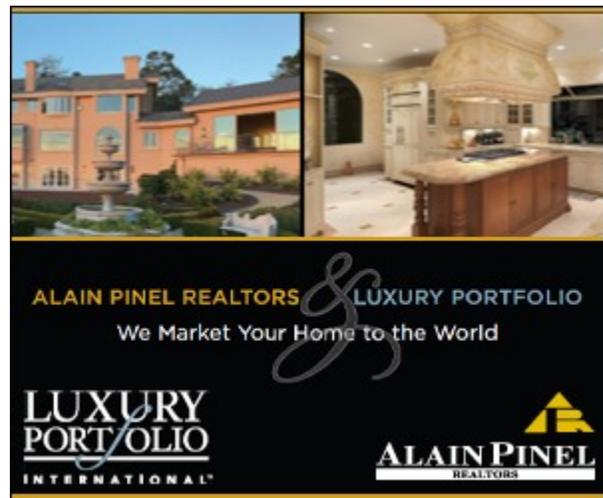
**IMAGE 1 OF 4**

Illustration by Christopher T. Fong / The Chronicle

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On the surface, Julia Hallisy and Terry Hermiston wouldn't appear to agree on much: Hallisy runs the Empowered Patient Coalition, a nonprofit advocacy group in the Bay Area, and Hermiston is a top executive with Bayer Healthcare Pharmaceuticals.

But the two actually see eye to eye on an issue that continues to roil the health care industry: the \$1,000 hepatitis C pill made by Gilead Sciences in Foster City. **Critics have slammed the high price,** and some payers, including Express Scripts, the nation's largest pharmacy benefits manager, refuse to pay for it.



Not surprisingly, Hermiston believes the price is appropriate because of the transformative nature of the drug, called Sovaldi. Approved by the Food and Drug Administration in 2013, Sovaldi, when used with interferon and ribavirin, can cure 80 to 90 percent of hepatitis C patients in 12 to 24 weeks, with few side effects.

When you calculate the number of days patients no longer need to visit the hospital — not to mention ending their suffering from hep C symptoms — the cost is well worth it, said Hermiston, vice president

of biologics research and head of the company's U.S. innovation center in Mission Bay.

"For therapies that have significant long-term benefit for patients, avoiding hospitalization costs throughout their lifetime and improving their quality of health can be invaluable," he said.

Here's the kicker: Hallisy, a longtime critic of the pharma industry, also thinks Sovaldi's ability to cure hepatitis C justifies the price.

But Sovaldi is a rare case, she said. Most drugs on the market are not breakthrough innovations, yet drug companies generate huge profits from therapies with little or modest benefits, she said.

"Does taking one pill instead of two pills make it worth the big price tag drug makers charge?" Hallisy said. "I don't think so."

Sovaldi has exposed deep contradictions running through the U.S. health care system.

We shell out more than \$300 billion each year on drugs that treat everything from deadly diseases to relatively benign conditions like erectile dysfunction and skin blotches. Many drugs simply don't work and even cause damage. But we suddenly choose to put our foot down with Sovaldi, a drug that actually cures a disease that impacts 3.2 million Americans?

Let's start with the obvious cost-benefit analysis: Curing a disease means you no longer have to treat it. In other words, you pay a lot up front, but in the long run, you save a lot of money.

But thinking about the big picture has never been America's strong suit. Yes, we love innovation, but only if we can get it on the cheap. Otherwise, we're perfectly content to nibble around the edges.

Sovaldi is only the beginning. Since 2012, the FDA has granted the designation "breakthrough therapy" to about 90 drugs, including Sovaldi, to treat life-threatening diseases, according to agency records. And like Sovaldi, these treatments won't come cheap.

As a result, drugmakers need to develop better ways to convince the public that the high prices are worth it, analysts say.

"In 2015, the growing conflict expected between drug access and affordability will create fresh pressure for data that show these expensive medications work better than others and are worth the premium," according to a report by consulting firm PricewaterhouseCoopers.

Hermiston acknowledges that the industry has done a lousy job explaining drug prices.

"In general, our industry needs to do a better job of helping the public understand the process of drug discovery, and what companies need to do in order to bring a new therapy to patients," he said.

To make matters more complicated, the FDA has inadvertently stoked consumer demand for these treatments, said George Haley, a professor of marketing and director of the Center for International Industry Competitiveness at the University of New Haven in Connecticut.

The breakthrough therapy label only "creates among patients increased desperation (for someone) to pay for these drugs," Haley said.

Looking beyond Sovaldi, what happens when someone creates a cure for AIDS, or any of the 200 types of cancer? What will be the proper

price? Will insurance companies or Medicare refuse to pay for those drugs as well?

“Things are coming to a head,” Haley said.

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