

Aspen's drug pricing faces EU, UK probes

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Aspen Pharmaceuticals' failure to disclose its 2016 €5.2m Italian competition authorities fine for price gouging has backfired.



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The story made headlines in the UK and on social media.

With speculation now mounting that British and European authorities will launch their own investigations into the price-gouging allegations, local shareholders are querying why the company has never issued a statement on the fine, which had been handed down in October 2016.

Asief Mohamed of Aeon Investment Management said that when he asked Aspen management why it had not issued a Sens statement, he was told it was because it was an insignificant amount.

"Even at that stage it was apparent the important issue was not the sum involved but the potential damage to Aspen's reputation," Mohamed said.

After a damning front-page report by *The Times of London* last week had been picked up by media outlets across the globe, Aspen finally issued a statement at the weekend saying that the contents of the report concerned matters that were

sub judice.

"Out of respect for the integrity of ongoing legal processes with regulators as well as the court, in Italy and Spain, Aspen will not comment on these public allegations," the statement said.

"Instead, Aspen looks forward to the opportunity to demonstrate the integrity and legality of its practices in the context of these legal processes."

The Times report, which is part of an investigation into drug pricing, detailed how Aspen began a Europe-wide effort to drive up the price of five cancer medicines after buying the rights from GlaxoSmithKline.

"The price rises meant that the cost of busulfan, used by leukaemia patients, rose from £5.20 to £65.22 a pack in England and Wales during 2013, an increase of more than 1,100%. The price of chlorambucil, also used to treat blood cancer, rose from £8.36 to £40.51 a pack in the same year."

The paper reported Aspen had bought the marketing rights to the portfolio of oncology drugs from GlaxoSmithKline in 2009 as part of a £273m deal.

"GlaxoSmithKline received a 16% stake in the company in the agreement, which it has since sold for about \$2.2bn," it said.

The price increases in England and Wales were possible because Aspen exploited a loophole that allowed companies to impose rises if an existing brand name was dropped.

"Branded medicines are subject to strict price controls, but the department of health does not limit the price of unbranded generics," *The Times* reported.

Aspen's aggressive pricing strategy began in 2012 and focused on increases in prices that health authorities across Europe paid for the drugs.

The Times reported that the Italian competition watchdog described how Aspen had taken an "aggressive" approach to negotiations, sometimes creating shortages of the medicines or threatening to stop supplying the drugs altogether to force health authorities to accept its demands. Aspen is appealing against the Italian fine. In February the Spanish markets and competition commission announced it had started disciplinary proceedings against Aspen, whose European headquarters are in tax-friendly Dublin, Ireland.

The Spanish authorities are investigating allegations that Aspen caused a deliberate drug shortage in an effort to charge excessive prices.

Aspen justified the price increases on the grounds that there had been no increases for years and that prices had been at very low and unsustainable levels. The Italian authorities argued Aspen was making good returns on the old prices.

Mohamed said that at the time of the GlaxoSmithKline deal Aspen must have known what prices it would need to get a reasonable return on its investment.

"Pushing for price increases is an acceptable strategy but this appears to be extortion," said Mohamed, adding he would definitely be engaging with Aspen management on the issue.

Mohamed drew comparisons between the Aspen case and the public backlash in the US after a 5,000% hike in the price of Daraprim by Turing Pharmaceuticals.

Martin Shkreli, CEO of Turing Pharmaceuticals, became the most hated man in the US after he said he regretted not increasing the price of the drug by even more than he had.

Source: *Business Day*

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