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Letters to Barron's about forces influencing pharmaceutical pricing and about Barron's criticism of Kinder Morgan and master limited partnerships.

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November 14, 2015

Pricing Pharmaceuticals

To the Editor:

Thomas G. Donlan is living in a Donald Duck world if he believes Americans' concern about pharmaceutical costs is disproportionate (["Duckburg Economics," Editorial Commentary, Nov. 2](#)). He minimizes the problem by stating that retail prescription medicines account for only 10% of all health-care expenses, which unreasonably assumes that this is an acceptable and necessary fraction of all medical expenditures.

It is interesting that a "Duckburg economist" would deny the federal government the right to negotiate the cost of drugs with pharmaceutical companies in its role as the primary purchaser of medications; certainly that would be a right he would protect for other customers.

Donlan's objection to limits on advertising to the public as a violation of First Amendment rights overlooks the reality that advertising makes consumers aware of the existence of a drug without truly making them better informed.

Dr. David Griesemer
Director of Pediatric Neurology
Levine Children's Hospital
Jeff Gordon Children's Hospital
Charlotte, N.C.
To the Editor:

Scrooge McDuck knows that shortages are not supposed to happen in a market economy and that capital flows to where it is well treated. Yes, the federal government birthed the monopolies that caused the shortages and the skyrocketing prices of generic prescription drugs. But not in the way described in the editorial.

Valeant and Turing are just the latest symptoms of the broken generic-drug marketplace that resulted from the anticompetitive contracting practices, kickbacks, and self-dealing of giant hospital group purchasing organizations, or GPOs, which control purchasing of an estimated \$300 billion in drugs, devices, and supplies annually for 5,000 health systems. They operate according to a "pay to play" business model that stemmed from enactment of the misguided 1987 Medicare antikickback safe-harbor provision, which exempted GPOs from criminal penalties for taking kickbacks from suppliers. This is the only U.S. industry I know of that is founded on legalized kickbacks.

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There have been numerous federal and state investigations—even a book and a Hollywood movie—on how these buying cartels have undermined competition. But their powerful lobby, which includes the Healthcare Supply Chain Association, the American Hospital Association, and the Service Employees International Union, has been able to block any reform, oversight, disclosure, or regulation of the industry.

The Food and Drug Administration's putative role in making this mess is a red herring. This marketplace is rigged.

*Phillip L. Zweig
Executive Director
Physicians Against Drug Shortages
New York City*

To the Editor:

In the face of the Turing Pharmaceuticals' 5,000% overnight price hike for Daraprim, Imprimis is providing new compounded formulations of pyrimethamine and leucovorin for 99 cents per pill [equal to the generic Daraprim]. This issue served to shine a light on the growing drug-pricing crisis. We believe that our ideas should be a part of the solution, lowering costs of legacy off-patent drugs, while at the same time protecting the interests of drug companies that spend billions of dollars discovering new drugs to solve the most vexing diseases.

The statement in the editorial that "Imprimis lives in what some politicians call a loophole in the FDA statute" is inaccurate. Imprimis operates under the regulatory framework established by Congress in the Drug Quality and Security Act and applicable state pharmacy laws.

Imprimis makes and dispenses its prescriptions from four compounding pharmacies, not three. Furthermore, all of the active drugs we use to formulate are FDA-approved and made to U.S. Pharmacopeia monographs (or standards), and they are made in FDA-registered facilities that are inspected by the FDA. All of our pharmacies are subject to state and federal regulation, and we, too, are inspected by state regulatory agencies and the FDA.

We recognize that in any business there are bad actors. Pharmaceutical compounding is no exception. But just because someone does something wrong doesn't mean that it cannot be done the right way, to the highest standards, so that quality and patient safety are never compromised.

*Mark Baum
CEO, Imprimis Pharmaceuticals
San Diego*

"Nothing Illegal Here"

To the Editor:

As a previous owner of a number of master limited partnerships, including Kinder Morgan and Linn Energy, I find your constant hatchet-job articles on MLPs offensive. The latest was in the Nov. 2 issue, ["Growth Challenges Mount at Kinder Morgan."](#)

It seems that Hedgeye (an obscure hedge fund until you brought it to light as the main source in your many MLP articles) and Barron's have a beef against MLPs' business model in general because you don't like the way "funds from operations" are calculated.

You don't like the percentage of capital allocated to "sustaining capital" versus "business capital" and the method used to finance it. You don't like the fact that, from time to time, MLPs spend somewhat more on capital and dividends than their free cash flow. You also don't like the fact that valuation metrics don't compare with traditional financial measures.

Get over it. There is nothing illegal here. A significant number of MLPs use these metrics.

In the case of Linn Energy, your many articles caused the Securities and Exchange Commission to investigate, only to promptly close the case with no charges filed. You

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did cause the price to drop precipitously. As a Linn shareholder back then, I lost a great deal of money.

Patrick R. Hart

Bonita Springs, Fla.

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