

Obama re-elected: What's in store for drug companies?

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Obama re-elected: What's in store for life science companies



Americans have re-elected Mr Barack Obama for a second-term as the president of the US. One of the reasons that helped Obama win the elections was his signature healthcare reform, the 2010 Patient Protection and Affordable Care Act.

This Act now aims to cover more than 30 million uninsured Americans beginning January 2014 and Mr Obama's Republican competitor, Mr Mitt Romney, had vowed to repeal this law if elected to power. However, the Act is here to stay as is Mr Obama for the next four years. Earlier, the law scraped through a death scare when the Supreme Court of the US upheld the law in a verdict in June 2012.

The Affordable Care Act came into effect on March 23, 2010, putting in place comprehensive reforms that aimed to improve access to affordable health coverage for everyone and protect consumers from malpractices by insurance companies. It allows all Americans to make health insurance choices that work for them while guaranteeing access to care for the most vulnerable. Under the Act, the insurance companies are also required to publicly justify their actions if they want to raise rates by 10 percent or more. It also makes it mandatory for the insurers to cover a number of recommended preventive services, such as cancer, diabetes and blood pressure screenings.

What it means for drug companies?

The Act is a mixed bag for the industry. Simple calculations can tell that more insured people means more drug sales. The flip side is that the legislation, designed to reduce public spending, will impact drug pricing and thus the drug companies.

Analyst Ms Jennifer Brice, life sciences global program manager with Frost & Sullivan based in Mountain View, California, comments that within the pharmaceutical industry, specialty pharmaceuticals will likely have the largest impact from healthcare reform. Frost & Sullivan is a global growth consulting company that also provides market research to a wide range of industries, among other offerings.

"Everyone having access to healthcare may result in cutting down costs elsewhere, such as specialty pharmaceuticals, which are very expensive and dependent on payer acceptance. If fewer specialty pharmaceuticals are approved on payer formularies, then we will likely see an increase in revenues from the generic pharmaceuticals market," she says, adding that biosimilars "may be viewed as one alternative to bring down costs; however, even these therapies do not provide huge cost savings".

According to Ms Brice, getting a drug reimbursed will become even more challenging for pharmaceutical companies in the future. "Pharma companies will need to prove even more how their new drugs are better than existing drugs and provide more data from comparative studies," she says. "We are also expecting to see more consolidation in the industry - larger organizations will have more negotiating power with pharma to ultimately drive down cost."

There will be pressure on healthcare professionals to prescribe generics, giving a boost to the generic drug players. In 2011, the US alone had 25 percent share in the \$11.5 billion (Rs 63,000 crore) Indian pharma exports. For countries such as India that have a number of generics drug makers, Mr Obama's re-election could well be a good news. What do you think?