



This Case **IS** About:



① **Competition**

- Lotensin was the lowest priced ACE inhibitor.
- Ciba put the money where it counted, in CONSUMERS' pockets, with the Lifetime Price Guarantee.

② **Retailers Want Something for Nothing**

- Retailers did nothing to switch consumers to lower priced Lotensin.
- Retailers want to get paid to keep lower priced generics from consumers.

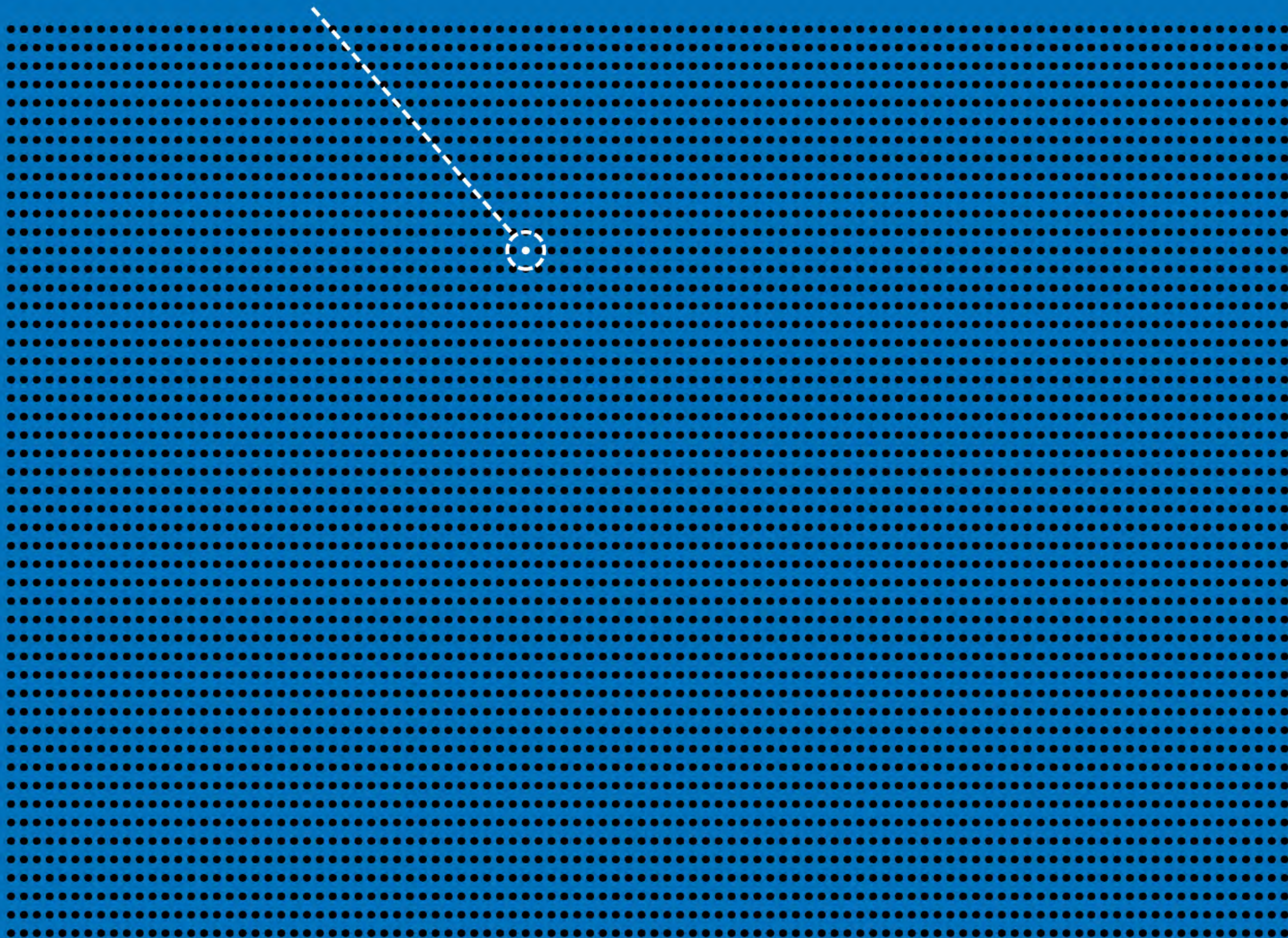
③ **Ciba Discounted to Decisionmakers**

- HMOs and some retailers that “Managed Care” received discounts.
- Who should decide what drugs to take: Retailers? Doctors?

1

COMPETITION

**Only 1 in 5,000 Drug Compounds
Make It To Market**



Ciba Pricing Bears **NO RESEMBLANCE** To Conspiratorial Pricing

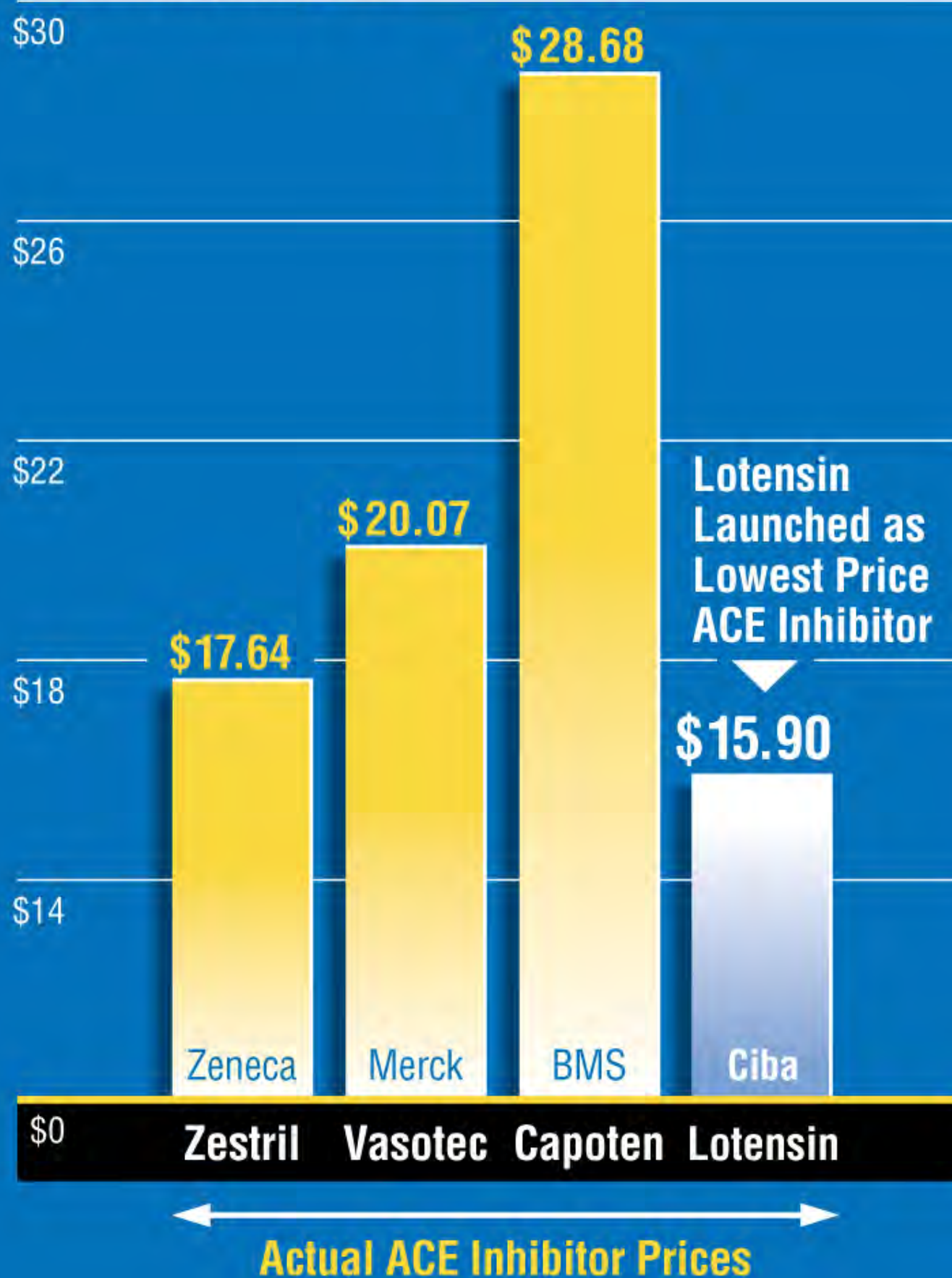
Wholesale Acquisition Cost



Actual ACE Inhibitor Prices
Before Lotensin

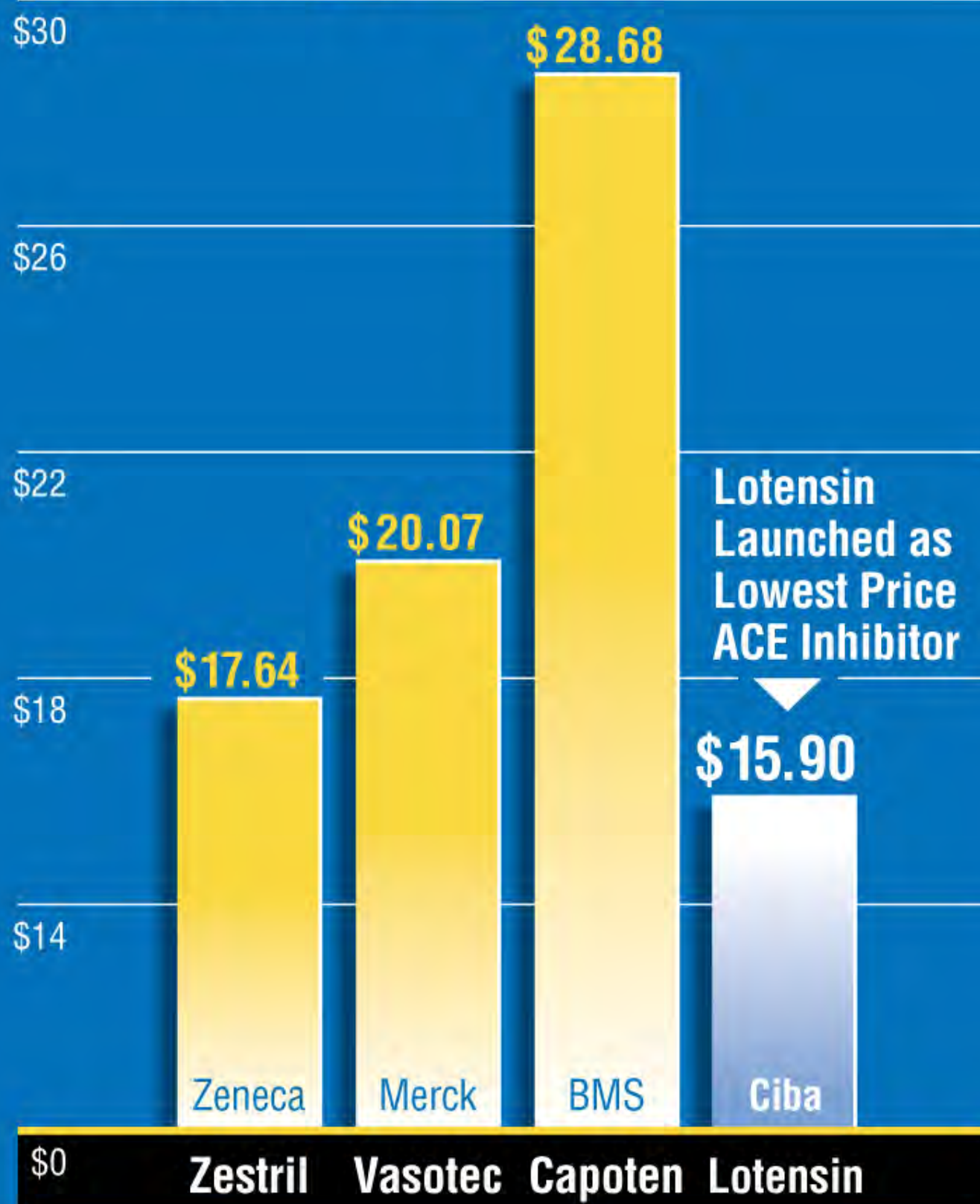
Ciba Pricing Bears **NO RESEMBLANCE** To Conspiratorial Pricing

Wholesale Acquisition Cost



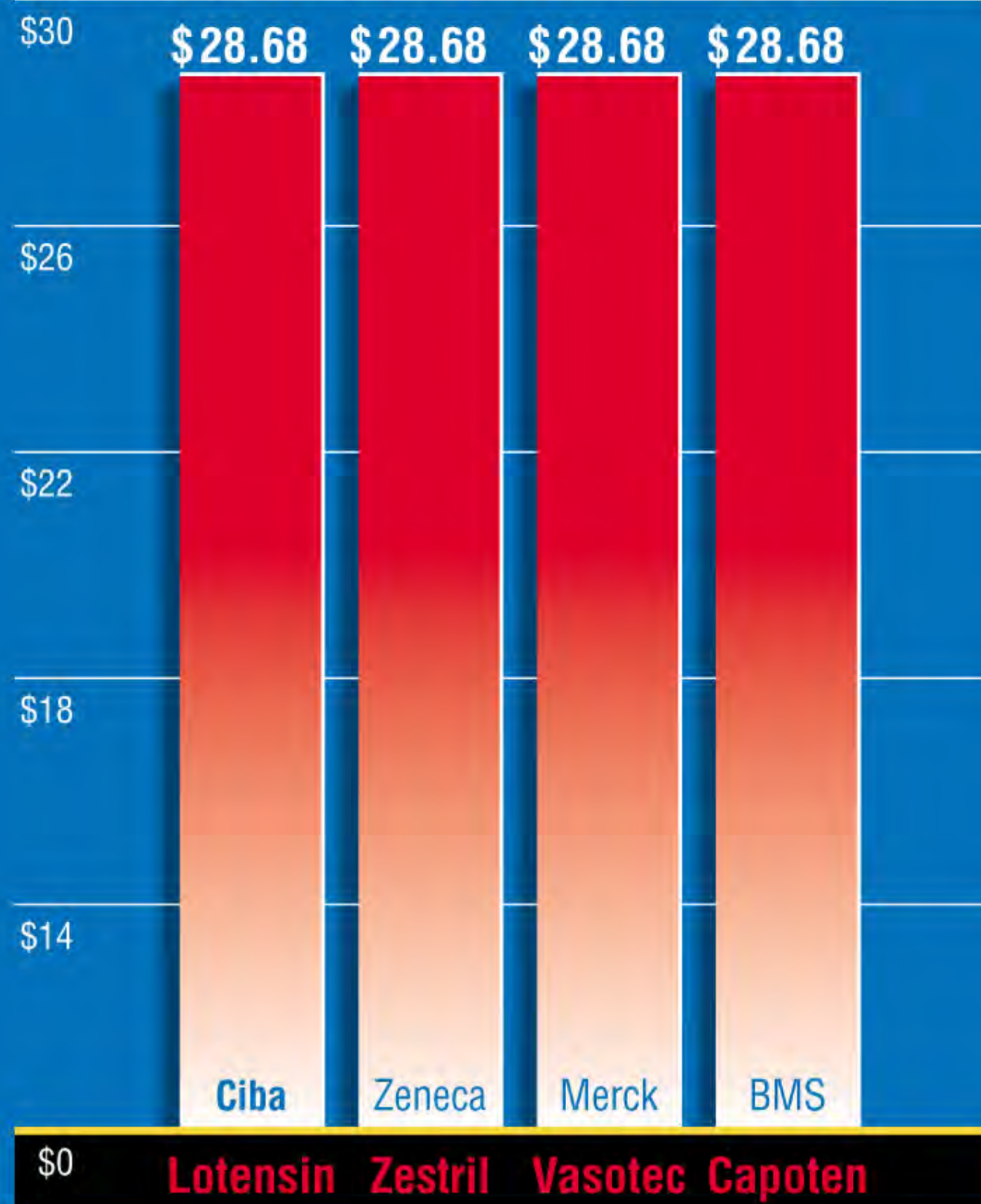
Ciba Pricing Bears **NO RESEMBLANCE** To Conspiratorial Pricing

Wholesale Acquisition Cost



Actual ACE Inhibitor Prices

Wholesale Acquisition Cost



Conspiratorial Pricing:
One Fixed, Agreed Upon High Price

Patients Could Save \$232 a Year with Lotensin®

Estimated Annual Yearly Cost (1991)

\$500

\$400

\$300

\$200

\$100

0

\$232
Savings
to Patient

Lotensin Ciba
\$272

Capoten BMS
\$504

Source:
Pharmaceutical
Data Services

Lotensin's 10 Year Savings to Consumers Could Be More than \$3,000

Selected Ace Inhibitor Annual Cost

\$700

\$600

\$500

\$400

\$300

\$200

\$100

\$0

1991

1992

1993

1994

1995

1996

1997

1998

1999

2000

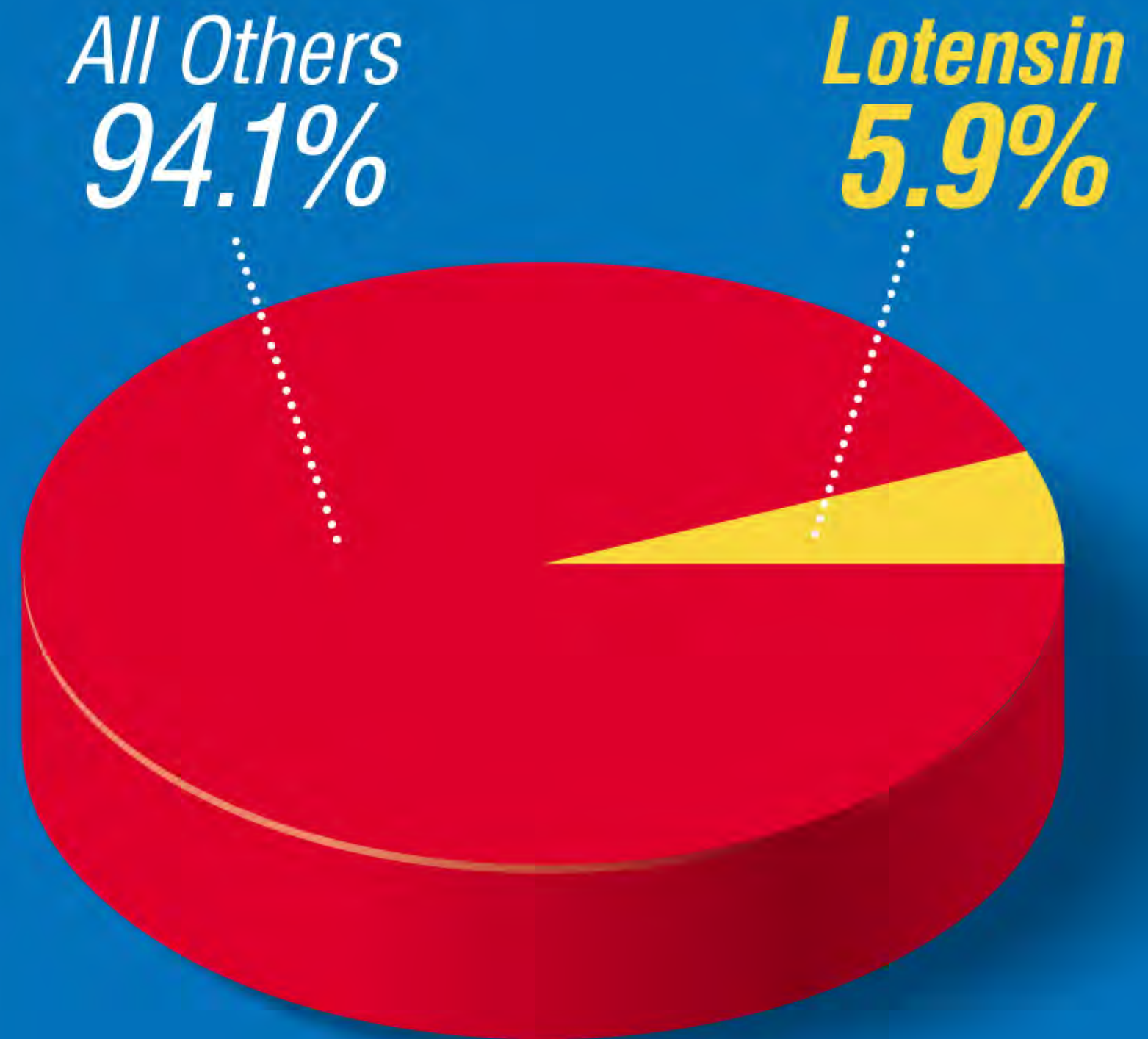
Savings to
Consumers

Capoten

Lotensin

Source: CIBA Pharmaceutical Company

Retailers **DID NOT SWITCH** Patients to Lotensin[®] Despite Its Lower Cost



1994
ACE Inhibitor Market Share
3 Years After
Introduction of Lotensin

Pharmacies **DIDN'T SWITCH** Patients to Lotensin® because
They Make More Money on Expensive Brand Name Prescription Drugs

Lotensin Ciba

\$500

\$400

\$300

\$200

\$100

\$0

Retail
Mark-Up:
\$79

\$193
Wholesale
Acquisition Cost

\$272
Cost to Patients

Capoten BMS

\$500

\$400

\$300

\$200

\$100

\$0

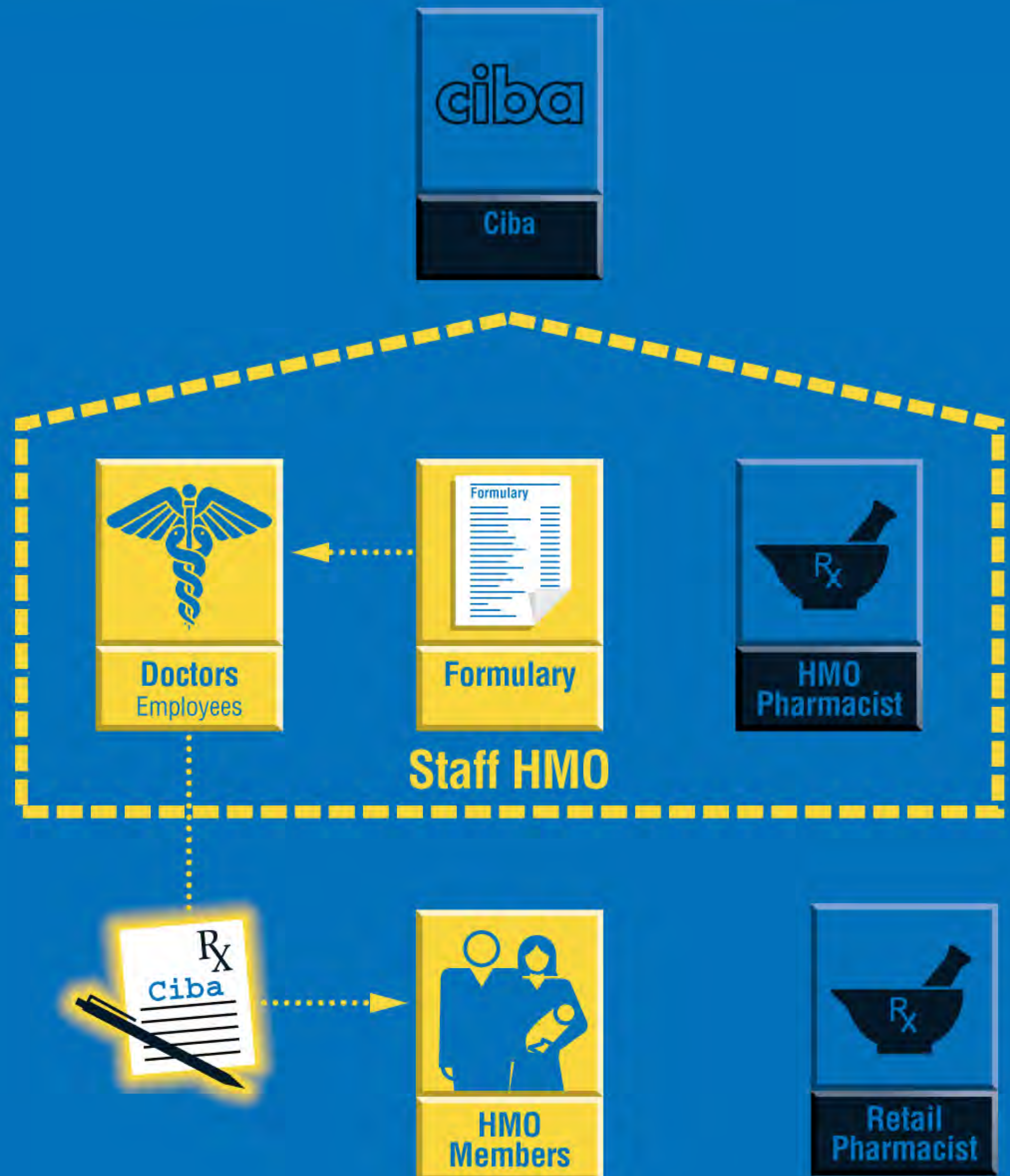
\$349
Wholesale
Acquisition Cost

\$504
Cost to Patients

Staff HMOs Are Decisionmakers and Receive Discounts for Managing Care

Step 1

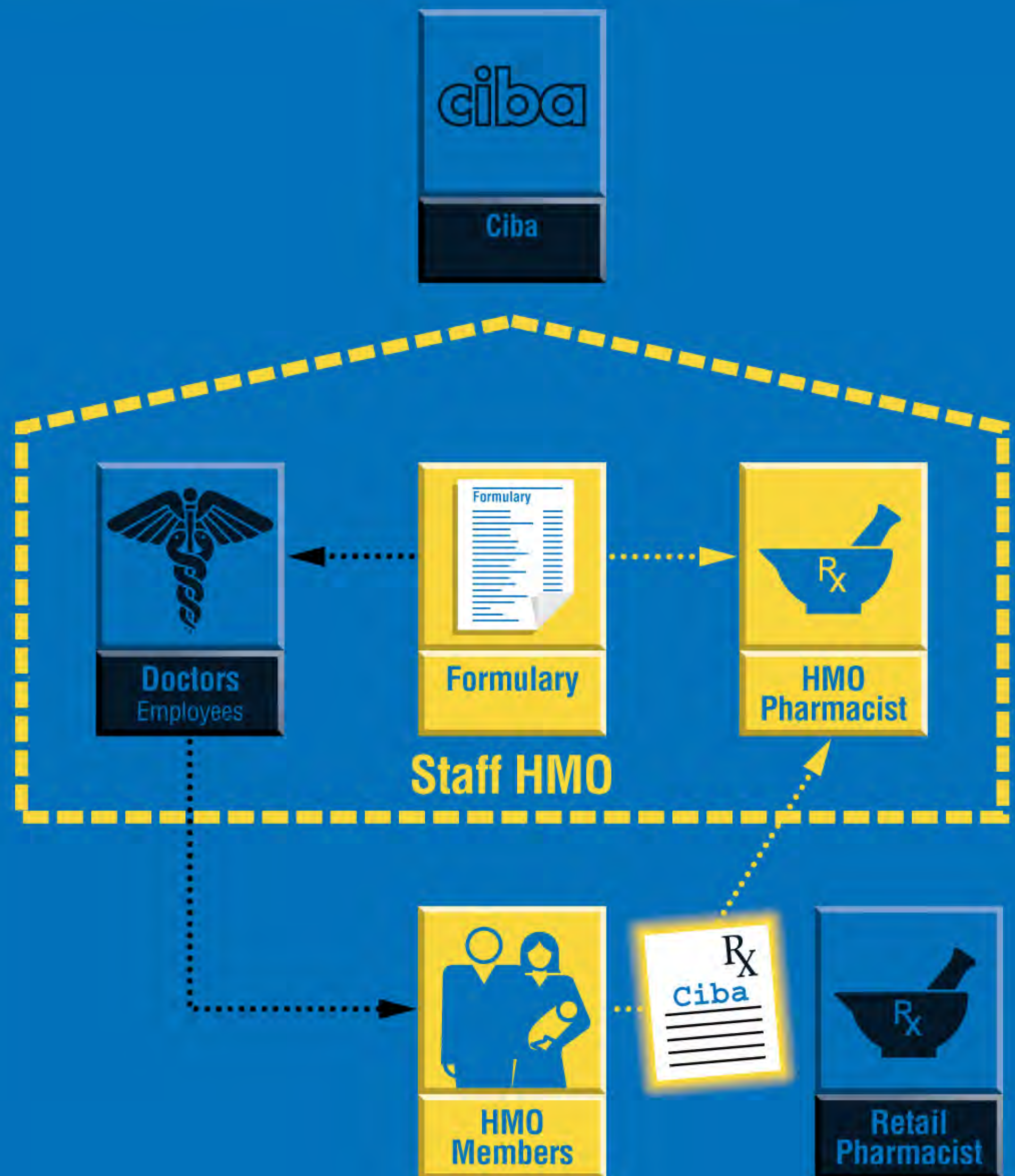
HMO Doctor prescribes Ciba drugs approved by HMO.



Staff HMOs Are Decisionmakers and Receive Discounts for Managing Care

Step 2

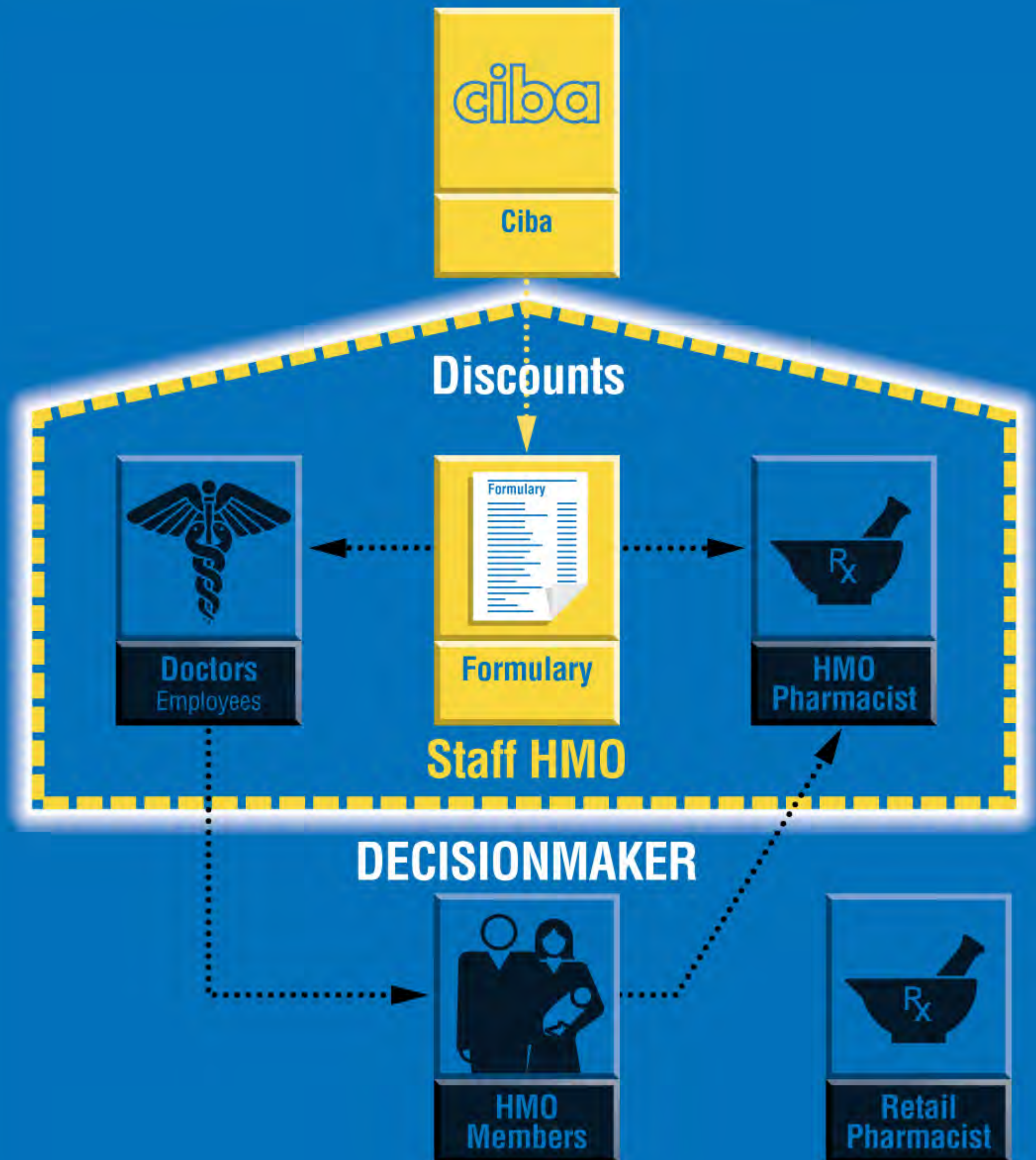
HMO members fill prescriptions for **Ciba** drugs at HMO pharmacy.



Staff HMOs Are Decisionmakers and Receive Discounts for Managing Care

Step 3

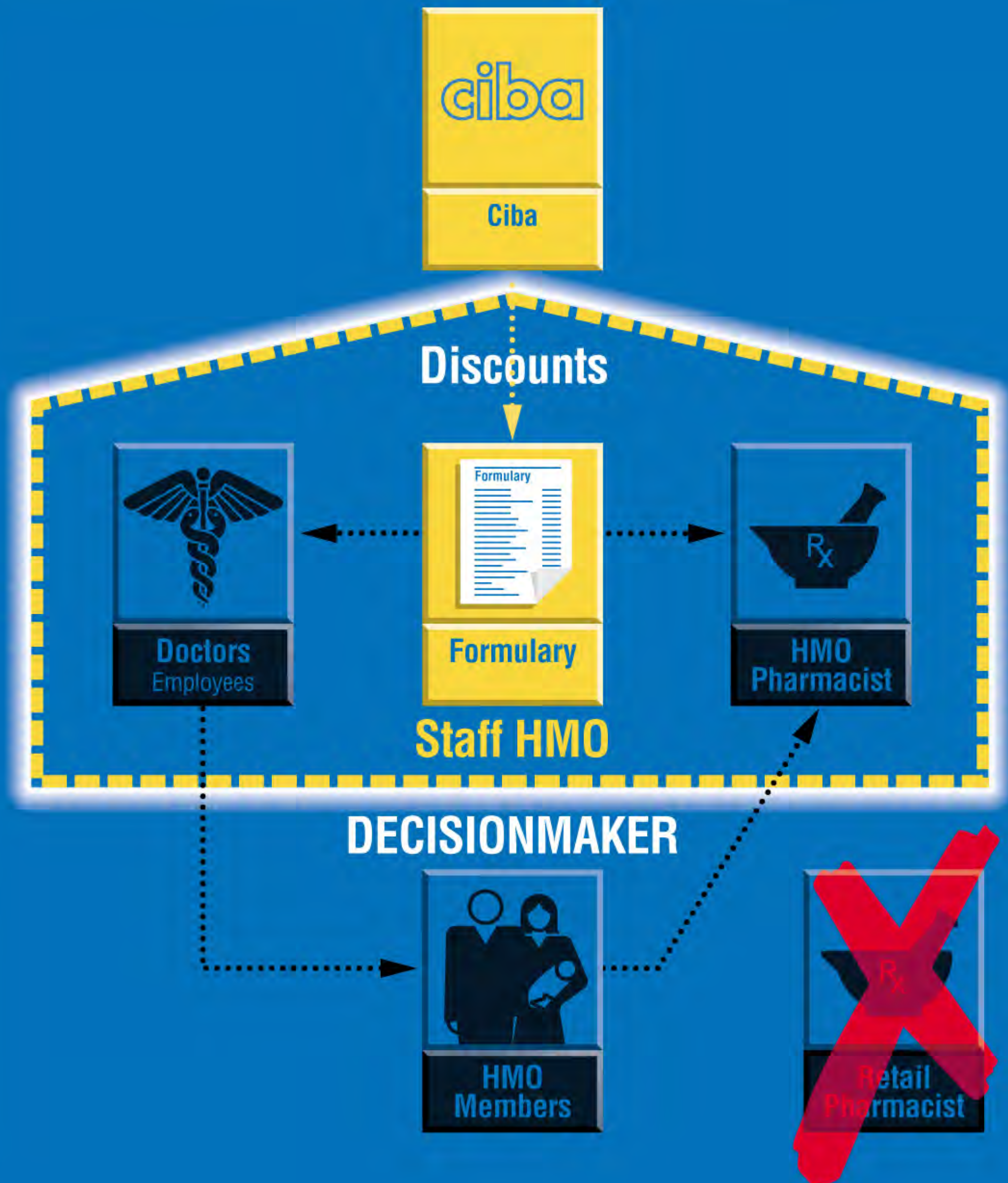
Ciba gives discounts to Staff HMO.



Staff HMOs Are
Decisionmakers
and Receive
Discounts for
Managing Care

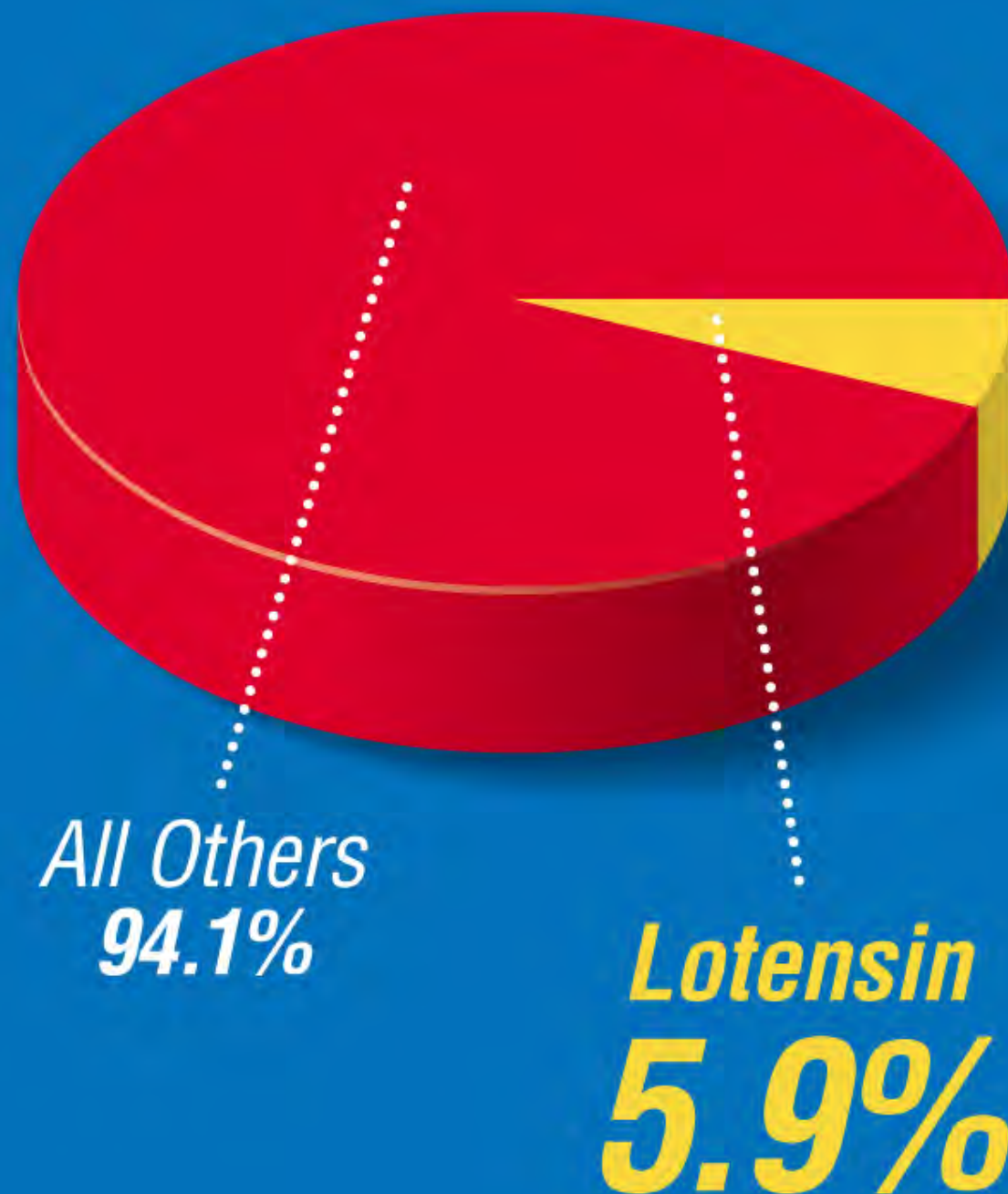
Step 4

Retail pharmacist
never sees
HMO patients
or prescriptions,
therefore
receives
NO DISCOUNTS.

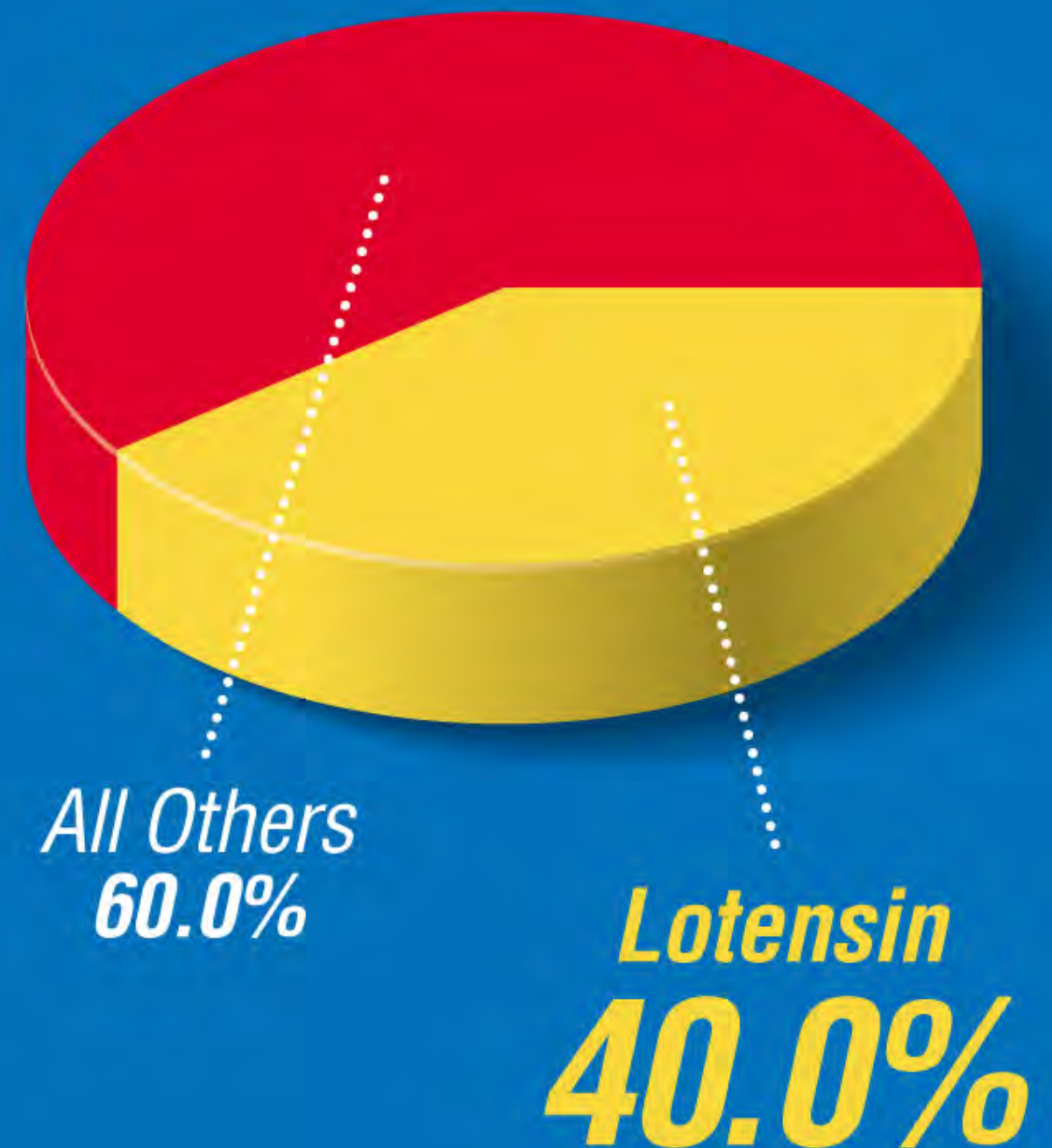


Managed Care, **NOT** Retailers, Moved Market Share for Lotensin

Retail



Humana Tampa HMO

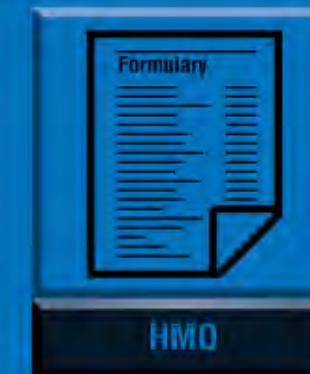
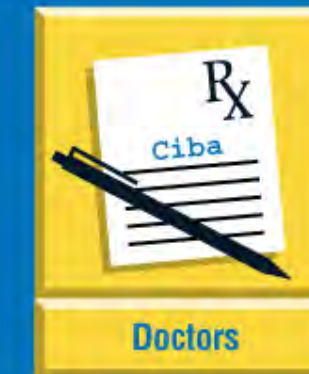


Discounts Are Base On Decisionmakers and the Type of Drug

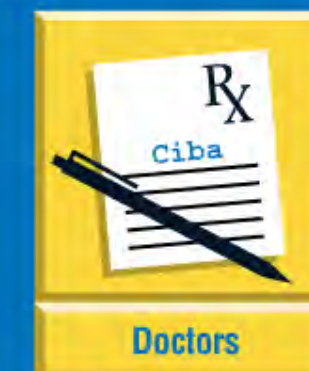
Type of Drug

Decisionmakers

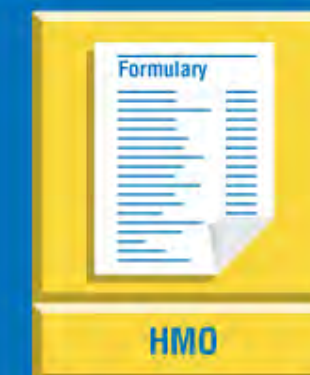
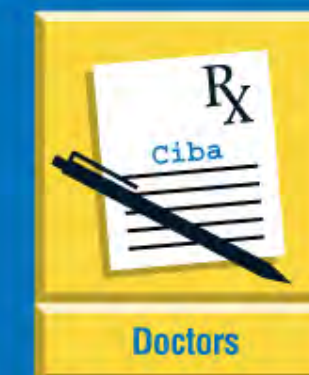
➔ **Single Source with No Therapeutic Alternatives**



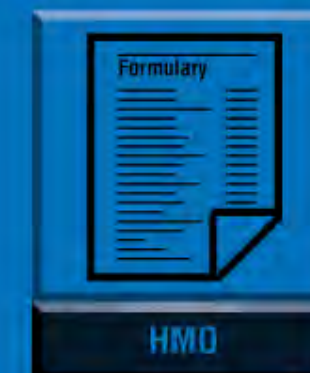
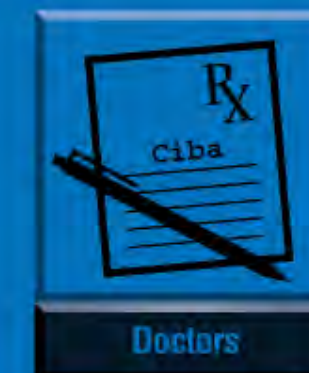
➔ **Single Source with Therapeutic Alternatives**



➔ **Multiple Sources**



➔ **Generics**



WHERE IS THE AGREEMENT?

If There Were a Conspiracy, Ciba Would Not Be Conducting Years of Pricing Studies

1985
Survey of Retail Pharmacists —
Reaction to Proposed One-Price Policy

1985
Hospital Task Force

1986
Task Force on
Transderm-Nitro Pricing

1986
Analysis of Proposed State Legislation
on Drug Pricing

1986–1987
Strategic Plans for the Alternative
Health Care Market

1990–1991
Pricing Task Force

