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JPM Interview: Pfizer, Allergan CEOs On Research, Deals, Drug Pricing And The Future

by Mandy Jackson

It seems like Pfizer Inc. CEO Ian Read and Allergan PLC CEO Brent Saunders are seldom seen apart these days as they meet with investors and reporters to discuss the finer points of their companies' pending \$160bn merger, including at the 34th Annual JP Morgan Healthcare Conference in San Francisco where Scrip spoke with the chief executives about their views on early-stage research, drug pricing concerns and expectations for Pfizer's leadership in the future.

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On the last point, the view is still a bit murky, as Read didn't reveal how long he intends to remain CEO of Pfizer, but noted that the future for any CEO is in the hands of his or her company's board of directors. The plan for Saunders to take on the newly-created role of president and chief operating officer of Pfizer after the company's merger with Allergan sparked speculation that he is being groomed as Read's eventual replacement, but the length of the current CEO's tenure apparently remains yet to be determined.

Read and Saunders are focused at the moment on [closing their companies' merger on time](#) in the second half of 2016, after clearing regulatory hurdles and finalizing a plan to combine Pfizer and Allergan operations into the largest pharmaceutical and the [largest health care company in the world](#) – one with drug research and development [programs that run the gamut](#) from discovery to

commercialization.

Early R&D Still A Focus?

One of the big questions about the merger, more so from the point of view of industry peers and [company employees](#) than from investors, is whether Pfizer will continue to make significant investments in [drug discovery and early-stage pharma research](#) or if those riskier R&D operations will be cut to achieve cost savings.

And since Allergan does almost no discovery or early-stage research, preferring an "open science" approach of [acquiring external R&D programs](#) once they are in mid- to late-stage development, Saunders's leadership role at post-merger Pfizer raises the question of whether earlier research is at risk.

Saunders and Read both believe that there is a place in the Pfizer R&D pipeline for early-stage research from both internal discovery efforts and external partners.

"An open science approach and original research can live in harmony together," Saunders said.

Read noted that Pfizer does its own discovery and early-stage research, but it also has employed an open science model for quite a while to access external R&D in areas of interest to the big pharma. However, he said combining with Allergan will give Pfizer an opportunity to reassess its mix of internal and external approaches to discovery and early research.

"We're looking forward to blending the two" R&D pipelines, Read said. "It will give us an opportunity to relook at our mix."

Dealmaking Ongoing While Merger Is Pending

Both companies recently added drug delivery capabilities that could boost the future combined entity's prospects, both for current and future products. Read pointed to Allergan's [recent agreement to acquire](#) Anterios Inc., which is developing a topical botulinum toxin – a program that's needed to protect and expand Allergan's blockbuster *Botox* (onabotulinumtoxinA) franchise. He also noted that Pfizer added delivery technologies with its Hospira Inc. [acquisition that closed](#) in September.

"I'm looking forward to seeing how our drug delivery systems are strengthened," Read said.

Saunders offered a similar sentiment: "There are more win-wins in combining our organizations that we know today."

Both acquisitive companies are continuing to negotiate deals that add assets to their pipelines ahead of their merger. "What's off the table for Allergan are 'transformational' deals," Saunders said, noting that he and Read talk several times a week about their own merger as well as about transactions that Allergan has under review.

"We're always opportunistic; we're always looking for good intellectual property," Read said of Pfizer's deal appetite, noting that "we continue to look for ways to create shareholder value," including a potential split of the company into separate entities collecting revenue from new innovative therapies and mature legacy products.

Pricing Policies Under Pressure

The cost of drugs, especially new medicines, is under increasing scrutiny as an issue that's gained momentum in the US presidential campaign as well as in Congress, where [*lawmakers continue to explore measures*](#) that could rein in drug prices.

"Clearly, we're not deaf. We understand that society is expressing concern over the cost of health care," Read said, including prices for prescription medicines.

However, he noted that drug costs are not rising for US consumers any faster than health care expenses in general, especially since 90% of medicines consumed today are generics. Profits that pharma makes from the 10% of drugs that are brand-name products are reinvested in R&D for new therapies.

Even so, for some patients, the cost of novel medicines is too high, either because they can't afford co-pays – their share of drug costs not covered by health insurers – or because they don't have health insurance.

"We are very conscious of access issues," Read said, which is why Pfizer covers all or part of the out-of-pocket cost of its drugs for patients with a household income as high as 400% of the poverty level.

He and Saunders suggested that instead of attacking prescription drug costs alone, politicians should examine other health care costs, such as the fees charged by oncologists for cancer treatment, and they should look at the costs that health insurance companies are passing on to patients.

But with high profile tactics from companies like Turing Pharmaceuticals and Valeant Pharmaceuticals International, which have come under fire for buying older medicines and [*raising their prices exponentially*](#), Saunders said, "There are a few egregious actors that have brought it to the forefront. It's hard to stop fringe operators from doing these things."