

Valeant in new distribution deal with Walgreens

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This May 27, 2013, file photo, shows the head office and logo of Valeant Pharmaceuticals in Montreal. Valeant Pharmaceuticals has a new distribution deal with Walgreens, sending shares of the beleaguered drug company up sharply before the opening bell. The company said Tuesday, Dec. 15, 2015 that the agreement will help to lower the prices of its branded prescription-based dermatological and ophthalmological products by 10 percent. (Ryan Remiorz/The Canadian Press via AP, File)

Valeant Pharmaceuticals regained some credibility with upset investors

thanks to its announcement Tuesday of a new distribution deal with Walgreens and plans to line up more pharmacies to sell its products after a scandal forced it to cut ties with a key distributor, Philidor.

The news drove up shares of the beleaguered Canadian drug company, but it still faces U.S. government scrutiny over big medicine price hikes and allegations it used Philidor, a mail-order pharmacy, to steer payers toward Valeant's more expensive drugs, rather than cheaper alternatives.

Investors will be listening for more details on the deal with Walgreens, the largest U.S. drug store chain, and Valeant's other plans on Wednesday, when it hosts an investor webcast to update its financial forecast and discuss business operations and research.

Walgreens, the retail pharmacy division of Walgreens Boots Alliance Inc., "has a lot of credibility and muscle," said Nomura analyst Shibani Malhotra, making the deal "very important for Valeant."

"It really improves their credibility," because Valeant delivered so quickly on its pledge to line up a new distributor to replace Philidor, Malhotra said, adding that investors had worried no pharmacies would work with Valeant in the future.

On Tuesday, U.S.-traded shares of Valeant Pharmaceuticals International Inc. jumped more than 16 percent, or \$15.45, to \$109.59, as the broader markets climbed about 1 percent.

The stock had soared past \$260 to an all-time high in August, then "got crushed," Malhotra said, after the company was put on the hot seat by members of Congress and presidential candidates for its strategy of buying smaller drug developers, hiking drug prices and then slashing spending on research on new drugs.

Shares fell further after Valeant in October cut ties with Philidor, saying it had lost confidence in the company. That followed accusations Valeant used Philidor to create a network of "phantom pharmacies" to encourage payers to favor Valeant's more expensive drugs, raising questions about whether top Valeant executives were involved.

Valeant said the Walgreens agreement will lower the prices of its branded prescription dermatological and ophthalmological products by 10 percent off their wholesale list prices, enabling consumers to get products including Luzu and Zylet at a lower out-of-pocket cost from more than 8,000 Walgreens U.S. retail pharmacy locations and participating independent retailers.

The 20-year deal, which takes effect early next year and will be phased in over six to nine months, also covers over-the-counter products made by Valeant. The companies said that in the second half of 2016, Valeant will provide Walgreens with more than 30 branded medicines that have generic competition at reduced prices.

Malhotra said patients and insurers should end up paying slightly less for the drugs covered by the deal, but Valeant will compensate with rebounding volumes and its savings from not having to give drug wholesalers fees of roughly 7 percent of drug prices. She noted Valeant has hiked the list price of topical nail infection treatment Jublia about 30 percent since its June 2014 U.S. approval, but only realized an increase of about 2 percent due to discounts and rebates to payers.

Patient advocates, doctors and Congressional leaders have attacked Valeant and drug companies like Turing Pharmaceuticals for aggressively increasing prices on some critically needed prescription drugs with little or no competition. Valeant, based in Laval, Quebec, bought the life-saving heart drugs Nitropress and Isuprel in February, then tripled the price of one and raised the other sixfold.

Federal prosecutors have subpoenaed documents tied to Valeant's drug pricing and other practices ahead of a presidential election in which the soaring price of prescription medicines has become a top political issue and the chief health concern of many Americans.

Shares of Deerfield, Illinois-based Walgreens Boots Alliance Inc. fell 45 cents to \$82.11.

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