

The Unethical Pricing of Insulin

Bernabe Mares Yenny

Department of Leadership and Communications, Gonzaga University

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Dr. Robert Doyle

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## The Unethical Pricing of Insulin

There is a disproportionate increase in the price of insulin in the United States compared against salary increase and inflation. Companies have hiked the price in an average of 11% each year from 2001 to 2018 (O'Neill Hayes & Farmer, 2020) to reach prices by 2021 up to \$440 a vial (Rajkumar, 2020). This rise in the cost of insulin has pushed people to ration the medicine they need to live with catastrophic and mortal consequences (Rajkumar, 2020). To put in perspective, the US inflation in the past 10 years is an aggregate of almost 19% (*U.S. Inflation Rate 1960–2021*, 2021); the increase of price of insulin is over 1000% (Rajkumar, 2020). In contrast, salary raises trail inflation and are under an average of a 3% yearly. This combination sets many insulin-dependent patients in situations where they cannot afford the medicine with and without insurance. Pharmaceutical companies should not increase the price of insulin over the yearly US inflation.

### **Narrative and Summary of the issue**

The insulin price crisis in the United States (US) can be traced to multiple factors, but the bottom line is greed. There are three major pharmaceutical companies that distribute almost 90% of the insulin in the US: Novo Nordisk, Sanofi-Aventis, and Eli Lilly. These companies control the market and can set and increase prices at will. The patients that need insulin do not have other options than use these companies. Furthermore, the distribution system is created in a way where manufacturers, wholesalers and distributors benefit from a higher ticket price. The system of rebates from the manufacturers only benefits the wholesalers, the distributors and in some cases the insurance companies. The patient ends up absorbing the cost of the high-ticket prices,

with a major impact to those to need to pay the full ticket without insurance coverage (Rajkumar, 2020).

There are legislative barriers to the entry of generic alternatives, known as biosimilars. These alternative products demand a lower ticket price and would benefit the patient. However, lawsuits from manufacturers (Torrance, 2018) have prevented the inclusion and authorization by the Federal Drug Administration (FDA) of said generic alternatives.

Additionally, there is a continuance of patents in part from the manufacturers, whose sole purpose is to keep the drug private and increase the price point. Insulin was first introduced to the market in 1921; however, it is still under patent protection. Tahir Amin (2018) writes in his opinion about patent abuse that “U.S. law provides 20 years of patent exclusivity for inventions such as a new medicine.” This patent system also grants renew permits to the manufacturers for modifications to the formula “whether that’s putting three pills into one pill to improve adherence or making a slight adjustment to the dosage formulation, as Sanofi claimed in one of its later patents on Lantus” (Amin, 2018).

Lastly, the lobbying power of these companies, being manufacturers, distributors or PMBs, cannot be ignored. Many of these campaigns have actively prevented advances in research and legislation to prevent and dissolve the perceived monopoly (Rajkumar, 2020).

### **Analysis**

There are different tools we can leverage to analyze the ethical situation of insulin pricing by pharmaceutical companies. For this critical analysis I will focus on Rest’s Model, Pluralism, Power and Influence, and the Tragic Gap.

## **Rest's Model**

There are four major components to the model introduced by James Rest of the University of Minnesota: Recognition or Moral Sensitivity, Moral Judgment, Moral focus or the motivation of the action and Moral Character (Johnson, 2011).

Moral Sensitivity is the ability to recognize there is an ethical issue. “A great many moral failures stem from ethical insensitivity” (Johnson, 2011; p. 236) as it is the case of the pharmaceutical companies and their partners. Their vision and focus on profit prevent them from recognizing and acknowledging the way they are impacting people’s lives. The inability to imagine other perspectives and ignore their responsibility is what makes them morally insensible.

The lack of recognition of the ethical dilemma by the pharmaceutical industry creates a situation where the leaders are then unable to take a moral action. Their Moral Judgment remains at the lowest level of preconventional thinking, where their only concern is of possible consequences (Johnson, 2011; p. 241). They enable lobbyists to maintain rules and laws to allow them to continue perpetuating the status quo of the “evergreen” patent, then generating profit through the cycle of higher prices and rebates.

Moral Focus, or the motivation behind the actions, remains the profit gains for the organization and their partners. Once the decision to act is made, and the motivation is present, it takes character to continue with actions. It takes Character to continue with a plan that many will not like. In the case of the pharmaceutical corporations, it can be argued their lack of Moral Character, or what we can then name Amoral Character, is outstanding. In research from Brown and Mitchell (2010) we learn that “unethical behavior involves acts that are illegal and/or are morally inappropriate to larger society (Jones 1991).” Furthermore, they elaborate that we can

“define unethical leadership as behaviors conducted and decisions made by organizational leaders that are illegal and/or violate moral standards, and those that impose processes and structures that promote unethical conduct by followers.” Unethical Leadership with a lack of Moral Character, taking the wrong decisions, which only benefit the bottom line.

## **Pluralism**

Pluralism as explain by Hinman (2012) “is simply the conviction that the truth, at least in the moral life, is not singular or unitary.” For this analysis, I will refer to Robust Pluralism because “It entertains the possibility that we may not only have many standards of value but also that they are not necessarily consistent with one another.” I will leverage the four principles in Pluralism to complement the analysis: Understanding, Tolerance, Standing Up against Evil and Fallibility (p.50).

In the case for the insulin pricing, the values reflected by the manufacturers, distributors and PMBs can be resumed in a simple phrase: everything for profit. It can be argued that the true purpose of a capitalist enterprise is to generate profit. However, there is another truth that can be argued at the same time: when an organization exhaust the market, it is doomed to collapse. In this case, the high-ticket price of the insulin is generating a situation where the captive market of buyers is being priced out, unable to buy and consume the product. The two truths are not compatible, as stated in Pluralism, yet both exists at the same time.

Arguing with The Principle of Understanding, we can observe two different cultures communicating with each other. The capitalist culture of the organizations looking for benefit, and the culture of the buying market, in this case the diabetes patients that need the insulin to live. For a long time, the diabetes patients have observed and tried to understand the politics and

decisions in the price increase, believing the companies when they claim the rises are due to research and market caps. In the other hand, the pharma organizations at play understand perfectly they have a captive market, that are unable to move to a different place. This moves the needle with the Principle of Tolerance, where both cultures have coexisted, “giving room to the other culture to exist and achieve their moral vision” (Hinman, 2012).

The Principle of Fallibility requires humility and self-reflection, demands the agent to be self-aware of their own possible deficiencies and be open own moral shortcomings (Hinman, 2012; p. 51). It is in this principle where the hubris of the pharma corporations starts to fail in Pluralism. They assume they have a captive market and their culture of “all for profit” will be enough to continue revenue generation, exploiting the legal loopholes in the patent generation to create a monopolistic environment. It is their lack of humility to accept a different approach to business that is alienating their customers and, in some cases, killing them.

The Principle of Standing up to Evil is where things get interesting. With the first two principles of Tolerance and Understanding, we can have the two truths coexist: a relentless for-profit machine and a dying market. However, Standing up to Evil requires an active commitment “to speak against egregious moral wrongdoings” (Hinman, 2012). Hinman also tells us that “An account of morality that provides no moral foundation for opposing such wrongdoing falls far short of the mark.”

### **Power and Influence**

Power is defined by Johnson (2018) as “the capacity to influence the behavior of others.” There are different types of power that can be used: positional or legitimate, coercive, reward, expert, and referent. “No form of power is inherently immoral” elaborates Johnson (p. 122), it is

the way a person or an organization utilizes the sources of power that defines the action as ethical or unethical.

The power the pharma companies hold over the market is immense. They can directly influence legislation to keep their monopolistic practices. Manufacturers control unilaterally when to raise the prices of the drug, and they have done prices increases simultaneously between the three major players in the past to keep the balance of the market share (Rajkumar, 2020). Subsequently, the Influence of the PMBs and wholesalers due to their positional power around the market is also substantial. Both are perfectly situated to gain profits due to high-ticket price lists. Rajkumar explains in his analysis of the market “the higher the list price, the bigger the rebate can be, resulting in more revenue for a PBM. Together, the entire supply chain benefits from a high price—except the patient.”

The patient, who is dependent on this drug to live, is the person with the least amount of influence in the entire circle. The imbalance is due to the precarious position of full dependency on the drug, and the lack of options available. This generates the situation where the buyers are in no position to negotiate with the big corporations, as Johnson mentions in his text “powerless members can’t achieve worthy objectives and feel as if they have no control over their environments.”

### **The Tragic Gap**

Palmer in his 2009 book “The Third Way” tells us there is a third way besides the fight or flight usual response, “the third way is the way of nonviolence, by which I mean a commitment to act in every situation in ways that honor the soul.” Palmer then elaborates that we live in a

Tragic Gap, a place between in what is, and it could be (p. 174). To live in this altered reality, we “must hold tension” (p. 175) to achieve a resolution of the presented dilemma.

In our case, the dilemma is the tragic Gap between what is, an incredible high price of insulin imposed by pharma corporations, and what should be, an affordable system where people don’t need to die because they cannot access a drug they need in a daily basis. To solve this situation, we need to be willing to live in the middle of this gap, to listen to both sides, to learn what both sides demand, and find a solution together.

Palmer also tells us that sometimes the instinct to have a quick resolution is not necessarily the best option. To live in the Tragic Gap is hold and be able to listen, to keep the tension while the conversation is going. Enabling a dialogic conversation, where both parties are willing to listen, to learn and to achieve a common goal, would be the best approach and the ideal resolution to the conflict.

### **Recommendations**

There needs to be a rebalance of power. The influence hold by the pharma corporations seems to be too great to overcome. The fragile position of the buyers prevents them to bring a bargaining chip to the negotiation table. Finding the voice of the people, will enable them to find a leverage for the negotiation table “The more we understand how we are influenced by our context, the better our ability to use these same organizational pressures to support values-based voice” (Gentile, 2010). There is a need for the people’s representatives to find their voice, and to impose new regulations on patents to avoid the “evergreen” effect that causes the monopolistic environment.



Pharmaceutical corporations and their intermediaries in the insulin market need to acknowledge they do not hold the entire truth. Recognize their ultimate “all for profit” goal is not sustainable; they are killing their buyers.

New ethical leaders need to emerge in all sides of the conversation. The Lobbyist system could be amended to prevent a situation where they, the lobbyists, hold too much power and influence political decisions that can only benefit the bottom line. Corporations can and should acknowledge their part in the insulin crisis.

The legitimacy of the corporations is at play. Legitimacy can be understood as the “is a generalized perception and evaluation based on the organization's many diverse outputs” (Seeger, 1997), being the outputs not only the revenue, but the language and the image of the corporations. Seeger also argues that “capitalist society and its for-profit companies, are inevitably moving toward a crisis in legitimacy (Epstein & Votaw, 1978)” (p. 111), which in this case, it can argue that is true. Companies and organizations which only goal is to generate profit need to add a moral voice in their ethical actions.

## **Conclusions**

How much is the cost of a life? The pharmaceutical companies and their intermediaries are willing to exploit their buyers of a captive market. The price increase of insulin is an unethical practice, as it only benefits the corporation’s bottom line through an abuse of power and position. The practice is not sustainable as the buyers are dying because they cannot afford insulin.

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