

How Marketing Turned the EpiPen Into a Billion-Dollar Business

Mylan's marketing turned the allergy device into a must-have.

Cynthia Koons Robert Langreth
CynthiaL.Koons RobertLangreth

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In a 2007 purchase of medicines from Merck KGaA, drugmaker Mylan picked up a decades-old product, the EpiPen auto injector for food allergy and bee-sting emergencies. Management first thought to divest the aging device, which logged only \$200 million in revenue. Then Heather Bresch, now Mylan's chief executive officer, hit on the idea of using old-fashioned marketing in part to boost sales among concerned parents of children with allergies. That started EpiPen, which delivers about \$1 worth of the hormone epinephrine, on a run that's resulted in its becoming a \$1 billion-a-year product that clobbers its rivals and provides about 40 percent of Mylan's operating profits, says researcher ABR|Healthco. EpiPen margins were 55 percent in 2014, up from 9 percent in 2008, ABR|Healthco estimates.



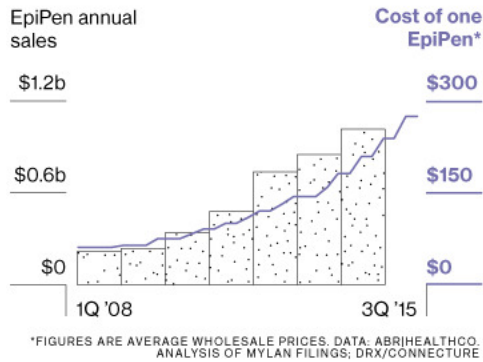
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How Mylan pulled that off is a textbook case in savvy branding combined with a massive public awareness campaign on the dangers of child allergies. Along the way, EpiPen's wholesale price rose roughly 400 percent from about \$57 each when Mylan acquired the product. "They have done a tremendous job of taking an asset that nobody thought you could do much with and making it a blockbuster product," says Jason Gerberry, a Leerink Partners analyst.

But while EpiPen has given countless parents a sense of security that their children can go out in the world safely, the

device’s soaring price—up 32 percent in the past year alone—has forced some families to make difficult choices in order to afford the life-saving medicine. The price increases are among the biggest of any top-selling brand drug, according to DRX, a unit of Connecture that tracks drug pricing. After insurance company discounts, a package of two EpiPens costs about \$415, DRX says. By comparison, in France, where Meda sells the drug, two EpiPens cost about \$85. “There is a danger with that,” says George Sillup, chairman of the pharmaceutical and health-care marketing department at Saint Joseph’s University. If the company raises the price too much, “that could create some backlash.”

A Needle in a Fat Stack



The company sees it differently. “Mylan has worked tirelessly over the past years advocating for increased anaphylaxis awareness, preparedness, and access to treatment,” Mylan spokeswoman Nina Devlin said in a statement. She said the company doesn’t control final retail prices for EpiPen and offers coupons that eliminate co-pays for most patients. Bresch declined to comment for this story.

The CEO has made no secret of her strategy to increase demand for EpiPens by getting them stocked for emergency use in more schools and other public places. (So-called entity prescriptions allow for this.) “We are continuing to open up new markets, new access with public entity legislation that would allow restaurants and hotels and really anywhere you are congregating, there should be access to an EpiPen,” Bresch said at a conference on Sept. 17.

Over the past seven years, Mylan has hired consultants who had worked with Medtronic to get defibrillators stocked in public places. Bresch, the daughter of Senator Joe Manchin (D-W.Va.), turned to Washington for help. Along with patient groups, Mylan pushed for federal legislation encouraging states to stock epinephrine devices in schools.



CEO Bresch

Photographer: Chris Goodney/Bloomberg

In 2010 new federal guidelines said patients who had severe allergic reactions should be prescribed two epinephrine doses, and soon after Mylan stopped selling single pens in favor of twin-packs. At the time, 35 percent of prescriptions were for single EpiPens. The U.S. Food and Drug Administration had changed label rules to allow the devices to be marketed to anyone at risk, rather than only those who'd already had an anaphylaxis reaction. "Those were both big events that we've started to capitalize on," Bresch said in October 2011.

In 2013, the year following the widely publicized death of a 7-year-old girl at a school in Virginia after an allergic reaction to peanuts, Congress passed legislation encouraging states to have epinephrine devices on hand in schools. Now 47 states require or encourage schools to stock the devices.

Since 2012, Mylan has helped popularize its brand by handing out free EpiPens to more than 59,000 schools. Last year it signed a deal with Walt Disney to stock EpiPens in Disney's theme parks and on cruise ships. And Mylan spent \$35.2 million on EpiPen TV ads in 2014, up from \$4.8 million in 2011, according to researcher Nielsen. Mylan disputes the ad spending figures but declines to offer alternatives.

In part because of Mylan's efforts, the number of patients using EpiPen has grown 67 percent over the past seven years. Many kids with allergies own multiple sets, for school and home. And for doctors, who write prescriptions for the name they know best, the EpiPen brand "is like Kleenex," says Robert Wood, a pediatric allergist at Johns Hopkins University School of Medicine.

So far rivals haven't been able to break Mylan's market grip. Sanofi's Auvi-Q, introduced in 2013, is in the shape of a credit card and—unlike EpiPen—gives step-by step audio instructions. But Sanofi priced Auvi-Q about the same as EpiPen, and the product struggled initially to gain insurance coverage. Sanofi says 9 out of 10 patients with commercial insurance can now receive coverage for Auvi-Q prescriptions. Yet in the first half of 2015, EpiPen had about an 85 percent share of epinephrine prescriptions vs. only 10 percent for Auvi-Q, according to Symphony Health Solutions data compiled by Bloomberg.

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Still, allergy sufferers without generous health benefits feel the pain. Denise Ure, a social worker in Seattle, has a peanut allergy so severe that the last time she ingested a nut crumb in 2011, she needed three EpiPens and was hospitalized. Ure says she cried last year when she found out a prescription for two EpiPens would cost her about \$350. "I was terrified because there's this life-saving medicine that I needed, and I couldn't afford it," she says. Ure now carries two EpiPens she got in Canada, where they cost about half as much.

The biggest threat to EpiPen could come from Teva Pharmaceutical Industries. It settled a patent lawsuit in 2012 allowing it to market a generic version of EpiPen as early as this year, if it wins FDA approval. Mylan isn't too worried. Predicted Bresch in August: "You would not see the traditional market loss because of just the brand equity with EpiPen."

The bottom line: When Mylan bought EpiPen in 2007, the devices had \$200 million in annual sales. Today revenue exceeds \$1 billion.

(This story updated the graphic to show a more accurate usage of the EpiPen.)

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