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Government To Purchase FluMist at A Discount

Deal Could Give Boost To MedImmune Vaccine

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The company that makes FluMist, the needle-free influenza vaccine, agreed to sell up to 3 million doses to public health officials at less than half the \$46 wholesale price amid a shortage of flu vaccine, the federal government said yesterday, which may ultimately boost faltering sales of the drug.

Negotiated by the Centers for Disease Control and Prevention in Atlanta, the agreement lets state and local officials buy the nasal-spray vaccine for \$20 a dose from now through the middle of February from MedImmune Inc. of Gaithersburg, the manufacturer, and Wyeth Pharmaceuticals of Madison, N.J., which co-markets the vaccine.

The CDC said yesterday that it had also purchased 375,000 doses of the flu shot from Chiron Corp. of Emeryville, Calif., and would make them available to health officials in January. The government had bought hundreds of thousands more doses earlier.

A shortage of the traditional cheap vaccines injected by needle means millions of people could be introduced to FluMist this year, salvaging a disappointing launch for the drug. But the \$20-a-dose deal also sets a precedent that could make it hard for MedImmune to raise the price back to \$46.

MedImmune purchased the FluMist technology from California biotechnology company Aviron two years ago for \$1.5 billion, justifying the price to critics by arguing consumers would pay more for a flu vaccine sprayed into their noses than one injected into their arms. The standard shot costs \$10 to \$15 retail.

Unlike the standard shot, which contains a dead version of the flu virus, FluMist uses a live but weakened virus and may be risky for people with a weak immune system. As a result, federal regulators approved the vaccine only for healthy people ages 5 to 49.

MedImmune introduced the nasal spray vaccine this fall with a \$25 million marketing campaign to consumers -- one of the largest ever for a vaccine -- and predicted sales of between 4 million and 5 million doses. As of mid-November, it had sold only 400,000.

MedImmune blamed the sluggish sales on FluMist's high price, limited availability, consumer worries about inhaling a live virus and a later-than-expected launch. It even hired a consulting firm to review the launch.

Then came the early arrival of a virulent flu season, which has breathed new life into the vaccine -- and could, under the CDC contract announced yesterday, nudge FluMist sales closer to the company's

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original forecast, albeit at much lower prices.

The CDC said it contacted Wyeth on Wednesday and the company quickly offered to sell its remaining 3 million doses for \$20, said Alison Brown, a CDC official.

The contract does not prevent MedImmune or Wyeth from selling the 3 million doses to others, including pharmacies and physicians, FluMist's target market, if it can. So far, the government has not purchased any, said Wyeth spokesman Douglas Petkus.

Stock analysts who follow the two companies have long complained FluMist's \$46 price tag is too high. By November, MedImmune had already offered a \$25 rebate.

"The rebate is a virtual admission that the \$46 price is too high," wrote Joel Sendek, a biotechnology analyst at investment banker Lazard Freres & Co., at the time.

But Dennis R. Harp, an analyst at Deutsche Bank Securities Inc., said in a note to investors yesterday that consumers who use FluMist this year are likely to try it again, "particularly if the price is reduced."

The announcement came after the close of the stock market. MedImmune closed at \$27.66, down 35 cents.

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