

Taking Action To Reduce Drug Prices Will Not Harm Innovation

As Big Pharma prepares to fight upcoming legislation to lower drug prices, it is ramping up some of its most powerful scare tactics: that if prices were regulated through Medicare negotiation and other reforms, patients would lose out on lifesaving new drugs. That argument is simply false. In reality, high U.S. drug prices far exceed what is necessary to fund research and development. Instead, drug companies use price hikes to reward CEOs and shareholders. Moreover, research and development is heavily subsidized by taxpayers.

KEY POINTS

- **Americans pay more for prescription drugs than anyone in the world.** On average, Americans pay nearly three times more for medications than people in 32 other countries.
- **Drug prices continue to skyrocket as profits are higher than any other industry.** Big Pharma is enjoying record [profits](#) and breaking [records](#) for the money it's spending on K Street lobbyists to block any legislation to lower prices for patients. In January 2021, drugmakers hiked the price of [nearly 1,000 drugs](#), with increases far outpacing inflation. Research shows that drug companies could lose [\\$1 trillion](#) in sales and still be the most profitable industry.
- **Higher profits do not correspond with increased research & development.** Drug companies saved billions thanks to former President Trump's tax bill. Instead of making meaningful investments in research and development, drug companies rewarded their executives and shareholders.
- **Price hikes rarely correspond with increased clinical value.** Time and again, drug companies hike the prices of drugs without any added benefit to patients.
- **Taxpayers subsidize the creation of new drugs.** Americans are being charged twice for high drug costs: first, as taxpayers funding research and development, and then again at the pharmacy counter.
- **The development of COVID-19 vaccines were largely funded by taxpayers, not pharmaceutical companies.** More than \$19 billion in government funding has been invested in COVID-19 vaccines.

Price Hikes Rarely Correspond With Improved Clinical Value

Drug Companies Hike The Price Of Treatments With Little To No Improvements For Patients.

According to Patients for Affordable Drugs, only 10 to 15 percent of new drugs [represent](#) true therapeutic advancement. Others are slight modifications to existing drugs that may or may not actually have clinical value. For example, in 2012, Sanofi charged [\\$100,000](#) for its colon cancer drug, Zaltrap – even though it only increased survival by a little more than one month. A bipartisan report from the Senate Finance Committee [found](#) that insulin costs have soared

thanks to a broken system that rewards companies for aggressively raising prices despite no major improvements to the drugs.

Drug Prices Do Not Actually Correspond With The Cost Of Development. According to Patients for Affordable Drugs, a vial of brand name insulin [costs](#) about \$4 to make but costs [\\$270](#) and one capsule of the cancer drug Revlimid costs less than a dollar to make but sells for \$833.

CBO Findings Suggest That Revenue Reductions Incurred By H.R. 3 Would Only Only Have A Small Impact On the Development of New Drugs. The Congressional Budget Office (CBO) analyzed the impact of a decrease of pharmaceutical revenue as much as \$1 trillion and found that it would only have a [modest](#) impact on drugs coming to market. The CBO found that the U.S. could lose only eight of the 300 new drugs expected in the next decade, and only one or two of which represent “true therapeutic advancements,” per Patients for Affordable Drugs.

Drugs Don't Help People If They Can't Afford Them. Illinois Alliance for Retired Americans and AFSCME member Jim Riordan [spoke](#) at an H.R. 3 press event with Speaker Pelosi saying, “My doctors prescribed Xolair to treat my asthma. The recommended dosage for me is four injections per month, which cost \$24,000 a month. Medicare pays for 80%, but that leaves a monthly bill of \$4,800. My wife and I have a limited income. We simply can't afford \$4,800 a month for one medication. I tried only one injection per month, and now I'm on two per month, but not taking the full dosage is seriously affecting my health.” A 2017 [report](#) from the National Academies of Medicine on lowering costs and protecting innovation concluded, “drugs that are not affordable are of little value.”

Taxpayers Already Subsidize The Development Of New Drugs

The National Institutes Of Health Plays A Key Role In Investing In Research For New Treatments. According to [Americans for Tax Fairness](#), the National Institutes of Health spent \$100 billion funding research that helped produce all 210 new drugs approved for use in the U.S. between 2010 and 2016. Patients for Affordable Drugs similarly [notes](#) that “NIH funding contributed to research associated with every new drug approved by the FDA from 2010 to 2019.” This amounts to roughly \$230 billion in taxpayer support in the past decade. Pharmaceutical companies also receive [billions](#) in tax credits for research.

Very Few New Drugs Are Truly Innovative. A 2017 report from the [Government Accountability Office](#) showed that while the U.S. approved an average of 179 to 263 drugs annually between 2005 and 2016, only 13 percent of those were novel or innovative drugs that either significantly advanced existing medicine or treated a disease previously unaddressed.

Major Drug Companies Often Outsource Research and Development. According to a new [analysis](#) from Stat, a majority of top-selling drugs from two of the largest drug companies-- Pfizer and Johnson & Johnson -- were discovered and developed by third parties, such as universities and academic centers. These findings suggest that “a reduction in pharmaceutical revenues would not have the supposed devastating impact on the level of biopharmaceutical innovation.”

More Investment ≠ Increased Research and Development

Big Pharma Saved Billions Thanks To Former President Trump’s Tax Bill. Perhaps the best evidence that boosting Big Pharma’s profits does not actually help patients is former President Trump’s signature tax bill. The year after the tax bill passed, the largest drug companies made [\\$50 billion](#) in profits and subsequently used their savings to invest billions more in [stock buybacks](#) for their shareholders.

Pharmaceutical Companies Used Savings From Trump’s Tax Bill To More Than Double Shareholder Payouts While Only Increasing Research And Development Spending By 6 Percent In 2018. An [analysis](#) by the Campaign for Sustainable Rx Pricing found that, after receiving billions in tax cuts from Trump’s Tax Cuts And Jobs Act, pharmaceutical companies used these savings to more than double shareholder payouts while only increasing research and development spending by 6 percent in 2018.

Drug Companies Are Still Hiking Prices As The Nation Is Still Reeling From The Pandemic

Drug Companies Hiked The Prices Of Nearly 1,000 Drugs In January. Multiple [studies](#) confirm that drug companies hiked the prices of hundreds of drugs in January 2021, as the pandemic surged across the nation. One [analysis](#) from 46brooklyn found that the U.S. saw brand name drug price increases surpass 900 in January 2021, the highest in over a decade. Another [analysis](#) from GoodRX found that more than 800 drugs saw price increases in January – the “largest number of increases in years.”

Pharma CEOs And Executives Are Cashing In During The Pandemic. In July 2020, the New York Times reported that senior executives and board members from at least 11 pharmaceutical and medical companies pursuing potential coronavirus treatments and vaccines sold shares worth well over [\\$1 billion](#) since March. Another [report](#) from Accountable Pharma found that executives at five major pharmaceutical companies that received taxpayer funding for vaccines made \$145 million in stock sales between May and August of 2020. Reporting from Axios confirmed top executives reaped massive profits during the pandemic. Per Axios, “Dave Ricks of Eli Lilly made [\\$68 million](#) (twice as much as 2019), and \$58 million of that came from stock.”

Drug Companies Experience The Highest Profits Among Any Major Industry. Pharmaceutical companies enjoy profit margins nearly [three times](#) the average for the S&P 500. Between 2000

and 2018, 35 large drug companies raked in a combined revenue of [\\$11.5 trillion](#) with a gross profit of \$8.6 trillion – far more than other large companies. Researchers from West Health Policy Center and Johns Hopkins Bloomberg School of Public Health have found that drug companies could lose [\\$1 trillion](#) in sales and still be the most profitable industry.

Americans Are Already Paying More For Drugs Than Any Other Country In The World. At \$1,229 per capita, people in the U.S. [spend more](#) on pharmaceuticals per capita than do people in any other country in the world. A recent report by the RAND Corporation shows that U.S. drug prices are 256% higher than 32 other countries.

Drug Companies Have Ramped Up Lobbying Efforts As Democrats Consider Reform. In 2019, PhRMA spent a record [\\$29 million](#) on lobbying as Democrats in the House introduced and passed their comprehensive drug pricing proposal, the Lower Drug Costs Now Act (H.R. 3). PhRma recently launched a seven-figure ad [campaign](#) as it prepares to push back against H.R. 3 and other reforms being considered by Democrats.

What About The COVID-19 Vaccines?

Pharmaceutical companies are enjoying unusually high popularity as millions of Americans are getting vaccinated and the end of the pandemic is finally in sight. It is important to note, however, that taxpayers funded the rapid production of these lifesaving vaccines. Additionally, long-term federal investments in science and research contributed to the development of COVID-19 vaccines. As part of Operation Warp Speed, drug companies like Johnson & Johnson and Moderna did not take on the financial risk of rapidly developing, testing, and manufacturing their vaccines. The following chart [visualizes](#) the investments made by the federal government in COVID-19 vaccines.

Background:

More Than \$19 Billion In Government Funding Has Been Invested In COVID-19

Vaccines. “Drug manufacturers have brought new vaccines to market in record speed to stop the spread of COVID-19. That notable achievement was made possible by massive financial

US federal subsidies or contracts to COVID-19 vaccine supply chain, 2020 through March 12, 2021			
Company	Amount	Date	Task
Vaccine sponsors			
Johnson & Johnson (Janssen)	\$21 million	February 11, 2020	Support nonclinical studies and a Phase 1 clinical trial
	\$436 million	March 27, 2020	Amendment
	\$1 billion	August 5, 2020	Demonstrate large-scale manufacturing, 100 million doses
	\$85 million	August 21, 2020	(Unknown)
	\$454 million	November 13, 2020	Amendment, funding for Phase 3 clinical trial
Sanofi and GSK	\$31 million	April 10, 2020	Accelerate nonclinical studies and a Phase 1 clinical trial
	\$2.04 billion	July 30, 2020	Phase 3 clinical trial, manufacturing demonstration project
Merck and IAVI	\$38 million	April 15, 2020	Accelerate development of vaccine candidate
Moderna	\$430 million	April 16, 2020	Accelerate development of vaccine candidate
	\$53 million	May 24, 2020	Expand manufacturing capacity
	\$472 million	July 25, 2020	Support Phase 3 clinical trial
	\$1.53 billion	August 11, 2020	Support Lonza's manufacturing, 100 million doses
	\$1.67 billion	December 11, 2020	100 million doses
Novavax	\$1.75 billion	February 11, 2021	100 million doses
	\$60 million	June 4, 2020	Manufacturing components for use in Phase 2/3 clinical trial
	\$1.60 billion	July 6, 2020	Demonstrate commercial-scale manufacturing
Pfizer (BioNTech)	\$1.95 billion	July 21, 2020	100 million doses
	\$2.01 billion	December 22, 2020	100 million doses, option for 400 million more
	\$2.01 billion	February 11, 2021	100 million doses
AstraZeneca (Oxford)	\$1.6 billion	October 28, 2020	Accelerate development and manufacturing to begin Phase 3 clinical trial

investments from the public. More than \$19 billion in government funding has been invested in the research, development, manufacturing, and distribution of COVID-19 vaccines. In total, the United States has guaranteed purchase of 900 million doses for a population of approximately 330 million and assumed financial risk so manufacturers don't have to." [National Academy For State Health Policy, [3/8/21](#)]

- **Even Companies That Did Not Accept Federal Funding For Research And Development For The COVID-19 Vaccine Have Benefited From Previous Taxpayer-Funded Research.** "Even companies that did not accept federal funding for research and development have benefited from previous taxpayer-funded research. The Pfizer vaccine contains a publicly-funded, government-developed spike protein technology that rapidly accelerated its development process." [National Academy For State Health Policy, [3/8/21](#)]

New York Times: "Washington Paid For The Development And The Trials; The Companies Had Essentially Nothing To Lose" On Vaccine Development. "The United States made the negotiations easy - its critics say far too easy - by signing away any right to intellectual property and absolving the drug companies of any liability if the vaccines disappointed. Washington paid for the development and the trials; the companies had essentially nothing to lose." [New York Times, [3/20/21](#)]