New Report

Big Pharma's Big Doubletalk

June 2023

PROTECT OUR CARE

PROTECT
OUR CARE

Big Pharma's Big Doubletalk

Big pharma is at it again: telling lawmakers in DC that the sky is falling while telling investors on Wall Street the sky is full of sunshine.

Big pharma insists to lawmakers that the new Medicare Drug Price Negotiation Program will undermine American biopharmaceutical leadership and discourage the development of new medications. Pharma is saying this to scare lawmakers into changing the rules of the negotiation program to protect their sky-high profits. American patients pay up to 4 times more for the same drugs as patients in other wealthy countries, and the Biden administration is making prescription drugs more affordable by implementing a program that will finally give Medicare the authority to negotiate lower prices.

While the pharmaceutical industry is crying wolf to DC lawmakers to try to get the rules changed at the expense of patients, they're not sounding the same alarms to Wall Street investors or making business decisions that suggest the United States is no longer a good place to develop innovative drugs.

Executives and Investors Express Enthusiasm About Drug Development. Pascal Soriot, CEO of AstraZeneca, stated on a recent earnings call that "there is an enormous amount of innovation in the United States to tap into." Private equity firms are also investing heavily in the pharmaceutical sector, seeking to profit off innovative drugs by providing capital for clinical research. In May, Cowen Healthcare announced a $555.6 million fund to support innovation in the healthcare sectors, with a particular focus on biopharma, diagnostics, and digital health. The Longwood fund also announced a $180 million fund to invest in "transformative therapies for patients in need and... translat[ing] ground-breaking scientific innovation into important new medicines."

PROTECT
OUR CARE

Despite Blaming the New Drug Law For Terminating New Drug Development, Companies are Increasing R&D Investment, While Drug Trials Remain Relatively Unchanged. Many drug companies announced increases in research and development following the passage of the Inflation Reduction Act, suggesting that they believe they will be able to recoup additional investments in drug development. For example, J&J reported a 21 percent increase in R&D spending in 2022, Merck & Co reported a 10.6 percent increase in 2022, and Moderna reported a 65 percent increase in 2022 and projected further increases in 2023. In a recent Eli Lilly earnings call, Anat Ashkenazi, Eli Lilly's chief financial officer, said that the company is "increasing the range for research and development expenses by $100 million..."

A review of 2022 drug company annual 10-K filings reveals a range of early-stage small molecule and biologic drug development across multiple clinical areas including oncology, diabetes, inflammatory diseases, neurological conditions, and autoimmune diseases. For example, Pfizer has 34 projects in Phase I human trials and submitted 16 registration applications for product development, Moderna has 45 development candidates underway, and Eli Lilly has 45 drugs in development. Historically, drug companies' R&D project abandonment rate is 20% to 30%. In a review of 25 pharmaceutical 10-K filings, companies reported only nine abandoned projects, a far lower abandonment rate than the historical average. When companies noted potential pricing effects of the IRA, they did not cite a potential impact of the IRA on R&D.

While Claiming the Sky Is Falling, In The First Quarter Of 2023, Big Pharma Raked In Cash And Rewarded Investors With Stock Buy Backs. In addition to positive statements about innovation, drug companies reported sizeable earnings and rewarded investors in the first quarter of 2023. Eli Lilly repurchased $750 million in stock. AstraZeneca saw a 15 percent revenue growth from non-COVID medicines and a 6 percent increase in core earnings per share compared to the first quarter of 2022. AbbVie brought in $12.2 billion in the first quarter of 2023 - $400 million ahead of expectations.

Background

The Medicare Drug Price Negotiation Program Is Designed To Strengthen Innovation By Rewarding Innovative Drugs. For decades, big drug companies have made massive profits by introducing "me too" drugs that don't provide significant new clinical benefits. In fact, among top-selling drugs in Medicare in 2020, over half were not considered of moderate or high therapeutic benefit and accounted for 11% of Medicare net prescription drug spending. Over 60% of the drugs listed on the World Health Organization's list of essential medicines are me-too drugs. Congress designed the Medicare Drug Price Negotiation program to reward and incentivize true innovation by requiring CMS to consider "unmet medical needs" and a drug's comparative effectiveness and benefits over other similar drugs, encouraging drug manufacturers to invest bringing truly innovative therapies to market.

Claims that Medicare Negotiation Will Stifle Innovation Are False. Even when the negotiation program is fully implemented, the United States will remain the most generous payer in the world for drugs. Drugs won't be subject to a negotiated price until they have been approved for at least nine years, giving manufacturers ample time to recoup their costs of developing the drug as well as a healthy profit. Recent research shows that cancer drugs recover their research and development costs within five years. Moreover, the argument that drug makers need to set prices high to cover research and development costs is not supported by the evidence – research shows no correlation between a drug's price and its research and development costs. The nonpartisan Congressional Budget Office agrees: they estimate just a 1 % decrease in the development of new drugs over the next 30 years as a result of the negotiation program.