

A Look at Pharmaceutical Costs

Sen. Deb Patterson – SD 10

Development of two new safe and effective commercial drugs in the 1920's

- **Penicillin** was discovered in September 1928 by Dr. Alexander Fleming, a bacteriologist at St. Mary's Hospital, **London**, who then worked with scientists at Oxford University to bring it to scale.
- **Insulin** – Dr. Frederick Banting and Charles Best isolated insulin from the pancreas of dogs in 1921 in **Toronto**, Canada.



Banting and Best

Research and Development

- 1940's-60's rudimentary drugs
- 70's-90's golden age of new drugs - new classes of medicines were being developed - new meds for hypertension, clot-busters to mitigate the effects of strokes, new antibiotics and antacids were developed
 - 1993- new class of cancer medications called *monoclonal antibodies*
 - 1995 - *protease inhibitors* – changing HIV/AIDS

Keeping Market Share

- All these new drugs were branded and patented
- Brand-name drugs have a 20 year patent
- Two marketing strategies
 1. Reach patient – 1/3 of spending - \$10B
 2. Reach doctor – 2/3 of spending - \$20B

Marketing to patient drives demand for higher priced drugs

- Fosamax (osteoporosis) \$31.71 per pill
 - vs. generic Alendronate – 34 cents
- Levaquin (antibiotic) \$28.60 per pill
 - vs. generic Levofloxacin – 20 cents
- Lipitor (high cholesterol) \$13.66 per pill
 - vs. generic Atorvastatin – 8.1 cents
- Norvasc (blood pressure) \$8.24 per pill
 - vs. generic Amlodipine – 1.3 cents

National Average Drug Acquisition Cost or NADAC price for brand-name and equivalent generic prescription medications, found on the CMS website (2020).



Marketing to prescribers who tell patients what they must buy (\$20B in 2019)

- **Over \$12 billion - drug samples**
- **\$7.4 billion - sales representatives**
 - **81,000 drug representatives in US**
 - **\$91K average salary**

Drug Reps are Key – SB 763

- Understanding the data behind the drug reps visits is an important component of addressing costs.
 - Which doctors are being visited?
 - Who is visiting them?
 - How many visits from each rep, each company?
 - Which drugs are being marketed?
 - For which diseases?

How else to keep profits high?

- Pay-to-delay - SB 764
- Pay generic drug companies to delay entry into the marketplace



But isn't the high price to cover research?

- 13 largest pharmaceutical companies:
 - Combined **revenue** over 8 years was \$3.78 trillion (2018)
 - **Marketing** \$1.04 trillion
 - **Profits** \$744 billion
 - **Research** \$643 billion
- Research is more focused on new uses for old drugs, and tweaking them (evergreening) to be able to get a new patent.

So why do drug companies charge so much?

- **Because they can – in the US.**
- The global market for pharmaceuticals was \$1.25 trillion in 2019.
- US has 4% of global population but spends 50% of the total
- This is money we don't have to spend at restaurants, on travel, and on consumer goods – or even on housing and food.
- **It's time for change.**