

Big PhRMA: Crying Wolf Again

The drug industry is gearing up to fight health care reform again.

Its lobbying arm, PhRMA (the Pharmaceutical Research and Manufacturers of America), has launched a multi-million dollar PR campaign to protect their excessive profits by restricting competition.¹ Drugs are the fastest-growing part of the health care bill² and pharmaceutical companies want to keep it that way.

What are they afraid of?

The U.S. pays **twice as much for 30 commonly prescribed medications** as other industrialized countries.³ Pharmaceutical companies fear that free market competition that gives the government the power to negotiate for lower drug prices will bring U.S. drug prices in line with those in other countries.

What is their tactic?

They want to scare us into believing that their research and development (R&D) budget and their ability to invent the next great life-saving drug depend on their continuing to rake in enormous profits.

We want new life-saving drugs. Should we be scared?

No! They're crying wolf. Here are the facts:

- Drug companies were rated the **third most profitable industry** in the U.S. in 2007 by *Fortune* magazine.⁴ In 2007 alone, the top 12 drug makers reaped combined profits of \$78,600,000,000 (billion). The industry's most profitable member, Novartis, netted \$11,900,000,000 (billion) in 2007, 67 percent more than in 2006.⁵ Pharmaceutical companies have **plenty of revenues to cover R&D for a very long time.**
- In 2004, drug makers spent, on average, nearly one-third (32 percent) of their revenues on marketing, administration and advertising, compared with **less than half as much (14 percent) on all R&D.**⁶ With total industry revenue approaching an estimated \$285 billion,⁷ that means more than \$90 billion a year is spent on marketing, while only about \$40 billion is spent on R&D. And even some of the expenses they count as R&D are payments to doctors to conduct unnecessary clinical trials that are aimed not at research findings, but getting more patients on the latest more expensive medicines before they are FDA approved.⁸
- **New 'breakthrough' drugs, actually account for only a small proportion of medicines produced by drug companies.** The majority of drugs that the drug industry develops each year are so-called "me too" drugs—modified forms or new uses of existing drugs that do not provide needed medical advances.⁹
- **Pharmaceutical companies have been developing more drugs for profit than for need.** According to the Government Accountability Office (GAO), "Over the past 10 years, the trend in the pharmaceutical industry has been to focus on developing drugs that produce a high return on investment, which has reduced the numbers and types of drugs produced." The GAO report further noted that "companies frequently choose to stop developing drugs that do not offer the same revenue-generating potential as blockbuster drugs, even though they could be highly innovative and offer therapeutic advances."¹⁰
- The industry exaggerates the role of private drug companies in the R&D of 'breakthrough' drugs. Taxpayer-funded research, particularly by the National Institutes of Health (NIH), forms a significant foundation for R&D by private drug companies. **Only 5 out of the 21 most influential drugs introduced between 1965 and 1992 were developed entirely by the pharmaceutical companies.**¹¹
- Across the country, **pharmaceutical companies ply doctors with freebies**—everything from free lunches to cash payments to fancy junkets—to encourage them to prescribe their brand of drugs. The cost of these giveaways is usually considered "education" not "marketing." In Vermont, in two years alone, \$2.28 million in such payments were disclosed under that state's public disclosure law—and another \$3.41 million in payments was shielded from disclosure on "trade secret" grounds.¹² If they spend nearly \$6 million in a small state like Vermont, can you imagine how much they are spending across the country? Imagine is all we can do because the vast majority of states do not require disclosure. **And those are the legal payments.**

According to a 2004 article in *The New York Times*, “Pfizer agreed to pay \$430 million and pleaded guilty to criminal charges involving the marketing of the pain drug Nuerontin... AstraZeneca paid \$355 million last year and TAP Pharmaceuticals paid \$875 million in 2001; each pleaded guilty to criminal charges of fraud for inducing physicians to bill the government for some drugs that the company gave the doctors free.”¹³ A new study estimates that drug companies spent \$57 billion dollars on marketing to doctors in 2004 alone.¹⁴

They’ve cried wolf before and we lost billions.

In 2003, PhRMA lobbied hard and got Congress to insert language into the bill that created a Medicare drug benefit that **prohibits** Medicare from using its market clout to negotiate with manufacturers for lower drug prices.

The result?

Medicare members can only get drug coverage by joining a private insurance plan. People who have both Medicare and Medicaid (dual-eligibles) were switched from Medicaid prescription drug coverage to a private Medicare drug plan. Prescription drugs for this population cost 30% more under the new private Medicare drug plans than they did under Medicaid, increasing pharmaceutical companies’ profits by at least \$3.7 billion dollars in just the first two years of the program. For example, Bristol Myers earned a windfall of almost \$400 million, thanks to higher prices for the stroke medication Plavix.¹⁵

We can’t let them win by crying wolf again!

We need real health reform that will guarantee everyone access to quality, affordable health care, including lifesaving medications. We need a new national public plan option that will use its market power to get us the best deal possible on all types of health care services and products.

References:

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- ¹² Joseph S. Ross, et al., “Pharmaceutical Company Payments to Physicians: Early Experience with Disclosure Laws in Vermont and Minnesota,” *Journal of the American Medical Association*, March 21, 2007 (<http://jama.ama-assn.org/cgi/content/abstract/297/11/1216>)
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