“PRICING AND ACCESS TO DRUGS
IN THE DEVELOPED AND DEVELOPING WORLDS”

ABOUT TODAY’S SPEAKERS

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Topic: “Pharmaceutical Pricing and Innovation Are Not Related: Why Are Drugs So Expensive?”

Abstract: Americans pay the highest prices in the world for drugs. The pharmaceutical industry claims its variable pricing policies are necessary to facilitate innovation, and that the rest of the world is free riding on the money spent by U.S. consumers for critical research and development. Moreover, the industry claims high prices are necessary to recoup the cost of developing new drugs, which on average now cost at least $800 million to develop. These arguments do not hold up under scrutiny. The pharmaceutical industry spends under 20 percent of its revenue on research. Perhaps as much as half of that is wasted on drugs which add little or nothing to physicians’ armamentarium for fighting disease. Industry spending on marketing and pretax profits accounts for over two-thirds of all industry revenue. Eliminating wasteful marketing practices by itself could result in substantially lower drug prices for Americans. Finally, arguments about the relationship between pricing and innovation assume that medical breakthroughs are related to research spending. Despite high and rising biomedical research spending over the past two decades in the public and private sectors, research output as measured by new, significant therapeutics approved by the Food and Drug Administration is declining. Hypotheses for this decline will be discussed.

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Merrill Goozner is the Director of the Integrity in Science Project at the Center for Science in the Public Interest, a nutrition and health advocacy organization based in Washington, DC. Mr. Goozner joined CSPI in December 2003 after a 25-year career in journalism, mostly with the Chicago Tribune where he served as Washington chief economics correspondent, New York financial correspondent, and chief Asia correspondent based in Tokyo. He was also a regional economics correspondent in Chicago. He previously worked for Crain’s Chicago Business, the Hammond Times and the Cincinnati Post.