

Comments received 12/7/2023:

These are observations about today's meeting. Many of the later presenters – PhRMA, the PBM organization, the generics manufacturers' organization – gave testimony short on facts and made claims contradicting data presented in the first portion of the meeting.

A version of a paper I presented to Mid Valley Health Advocates in July of 2021 with an update on PhRMA's claims and actual performance.

While early data in presentation showed that generics were often priced just below comparable branded drugs, and that there was little difference between prices if more than one company was manufacturing the same drug, the presenter from the generics manufacturer was reporting how much generics were saving in overall healthcare costs. An early slide mentioned the state entering into generics manufacturing, nothing later followed up on that idea. The patent monopoly of drug manufactures and the games they play to extend their monopoly are one of the biggest factors keeping costs high; this is best exemplified by year over year pricing going up far more rapidly than underlying inflation. And there is comparable indication of distorted oligopoly profit maximization among the generics manufacturers to the detriment of everyone except the generic manufacturers' bottom lines.

The PBM presenter was blaming drug manufacturers, and the PhRMA rep indicted that pharmacy companies were pricing the drugs at an amount that allowed them to continue research and development for future drugs. Somewhere in presentations today, it was claimed PBMs had profits greater than most companies in the U.S. In one of my slides in PowerPoint, AHIP – insurance providers – blames manufacturers and indicates that they work with PBMs to keep drug prices for customers as low as possible.

I'm not sure how it would be done, but I think meetings like this would be more productive in the longer term if there was a way for marked disparities to be called out. And ways to allow viewers of the meeting such as myself to ask questions. I am a retired health economist and I believe some questions would be beneficial to the Committees' work, and to the intended audiences for the reports.

Thank you,
David Ladwig

Oregon, PhRMA and Pricing

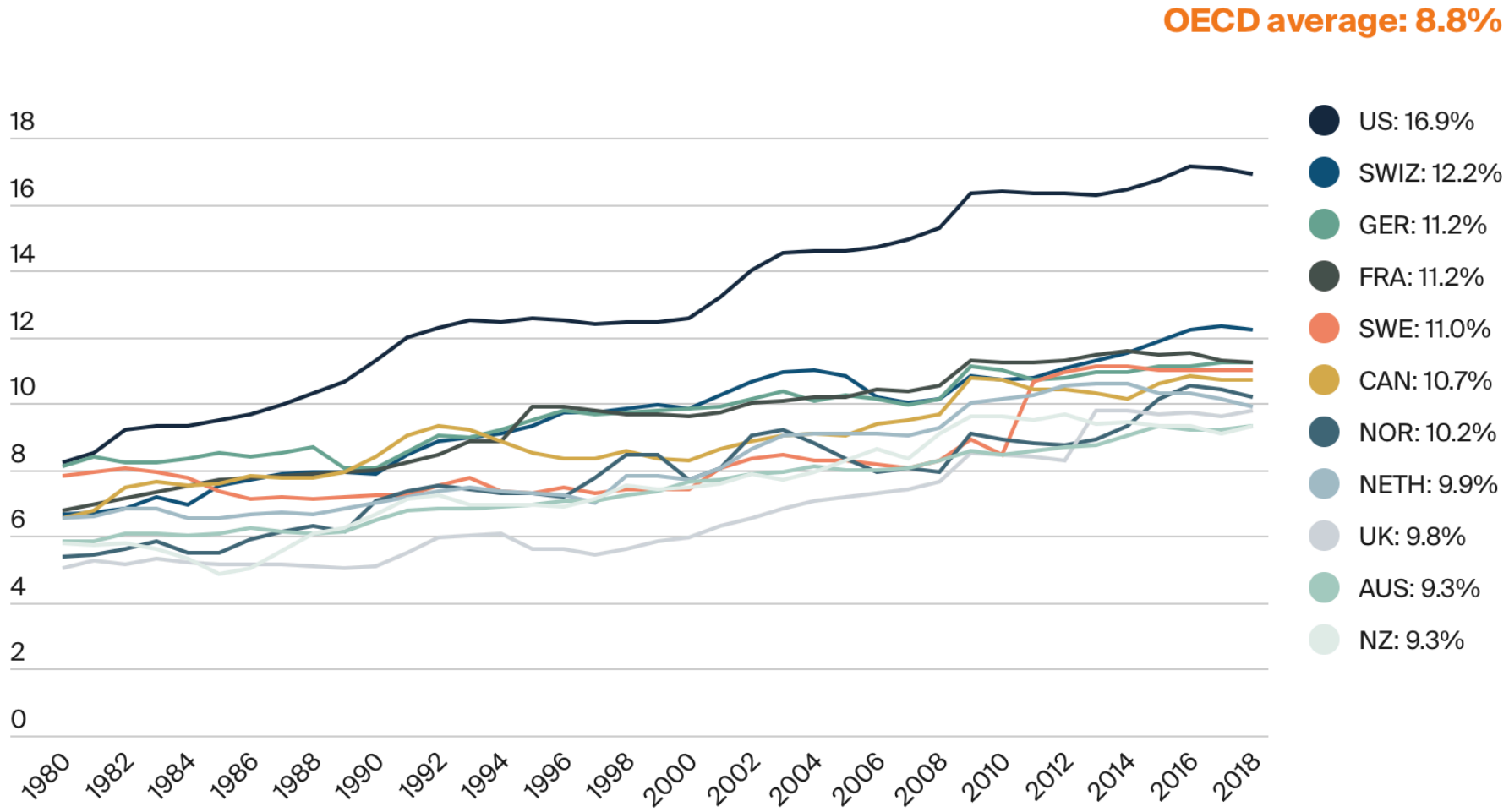
Version 5, December 7, 2023

David Ladwig

Profits in Pharmaceutical Industry

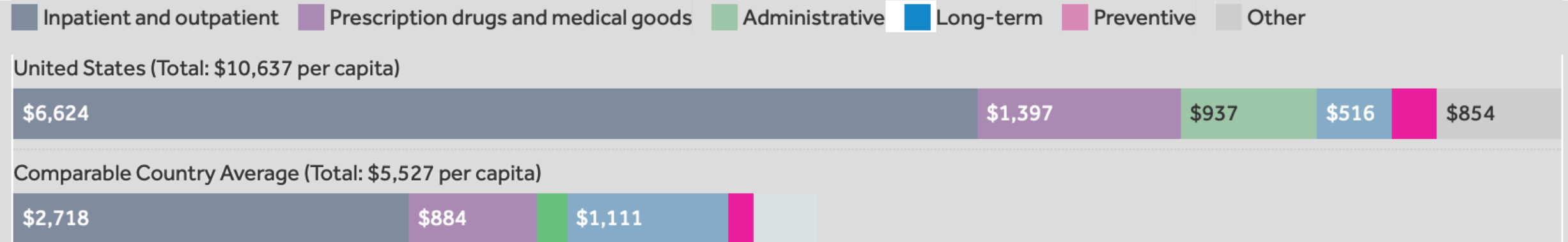
- Profits of 35 large pharmaceutical companies compared with those of 357 large, nonpharmaceutical companies from 2000 to 2018, the median net income (earnings) expressed as a fraction of revenue was **significantly greater for pharmaceutical companies compared with nonpharmaceutical companies (13.8% vs 7.7%)**.
- **Importance** Understanding the profitability of pharmaceutical companies is **essential to formulating evidence-based policies to reduce drug costs while maintaining the industry's ability to innovate and provide essential medicines**.

The U.S. Spends More on Health Care Than Any Other Country



The U.S. spends twice as much as comparable countries on health, driven mostly by higher payments to hospitals and physicians

Healthcare spending per capita, by spending category, 2018

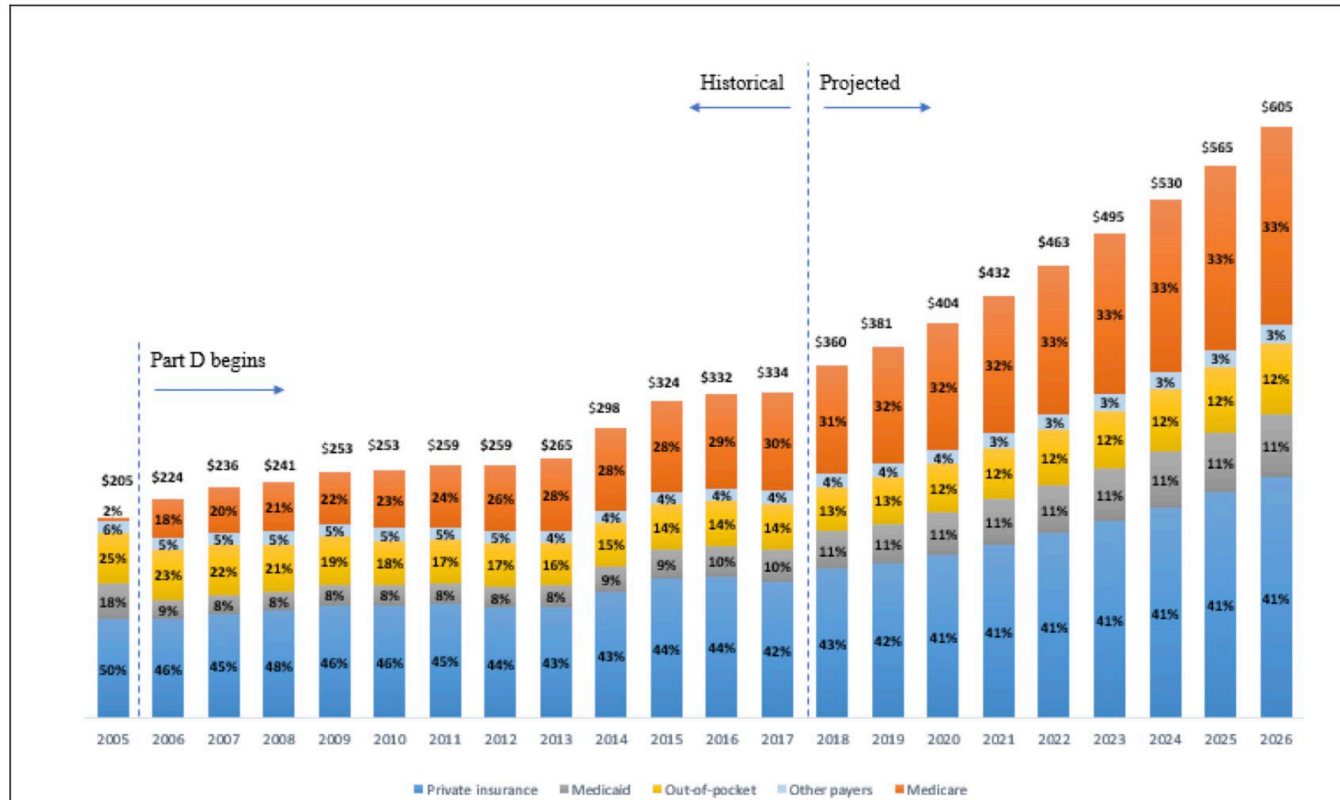


Note: Comparable countries include Austria, Belgium, Canada, France, Germany, Netherlands, Sweden, Switzerland, and the United Kingdom.

Source: [KFF analysis of OECD Health Statistics](#) • [Get the data](#) • [PNG](#)

Increasing Costs of Drug Spending

Figure 1. Historical and Projected Prescription Drug Spending by Payer, 2005-2026 ³⁰



	Medicare
	Other Payers
	Out of Pocket
	Medicaid
	Private Insure

SOURCES and NOTES: Figure 1 was reproduced from the Henry J Kaiser Family Foundation article entitled “10 Essential Facts About Medicare and Prescription Drug Spending.” Data were provided by the Henry J. Kaiser Family Foundation. The figure only includes Medicare Part D data.

From Most Revealing Moments From a Major Drug-Pricing Hearing

- According to research published on the Health Affairs blog, the 15 drug companies that made the 20 best-selling drugs worldwide in 2015 made \$116 billion in excess revenue from premium drug prices in the U.S. Meanwhile, they spent only \$76 billion on global research and development.
- **If Humira were its own company, the drug would be among the fortune 500 companies all by itself.** This was a little factoid lobbed by Senator Debbie Stabenow of Michigan. (And appears to be from [this Axios story](#), which reports that, because of the \$38,000 drug's \$18.4 billion revenue, "if Humira were a standalone company, it would be larger than many Fortune 500 conglomerates, such as General Mills, Halliburton, or Xerox.")
- **"The government has to step up and change the rules."** This, from AstraZeneca CEO Pascal Soriot, is a rare call for more government regulation from a giant company. It is also, however, throwing the ball back into the legislators' court.
- <https://www.theatlantic.com/health/archive/2019/02/drug-pricing-hearing-moments/583678/>

Where PHarMa companies spending goes

- A previous Accountable. US report found that the \$125 billion the top five pharmaceutical companies — which included Thermo Fisher instead of Merck — spent on stock buybacks and dividends from 2019 through 2021 outpaced the \$112 billion they spent on R&D through the same period. #1
- AbbVie spent \$11 billion on sales and marketing in 2020, compared to \$8 billion on R&D. Pfizer spent \$12 billion on sales and marketing, compared to \$9 billion on R&D. Novartis spent \$14 billion on sales and marketing, compared to \$9 billion on R&D. #2
- Of the 10 drug manufacturers examined, 7 of them spent more on selling and marketing expenses than they did on research and development. For this group of 10 companies alone, selling and marketing expenses exceeded R&D spending by \$36 billion, or 37%. Moreover, this use of dollars occurred during a year dedicated to the development of new treatments and vaccines to overcome the COVID-19 crisis. # 3

Just how expensive do prescription drugs need to be to fund innovative research?

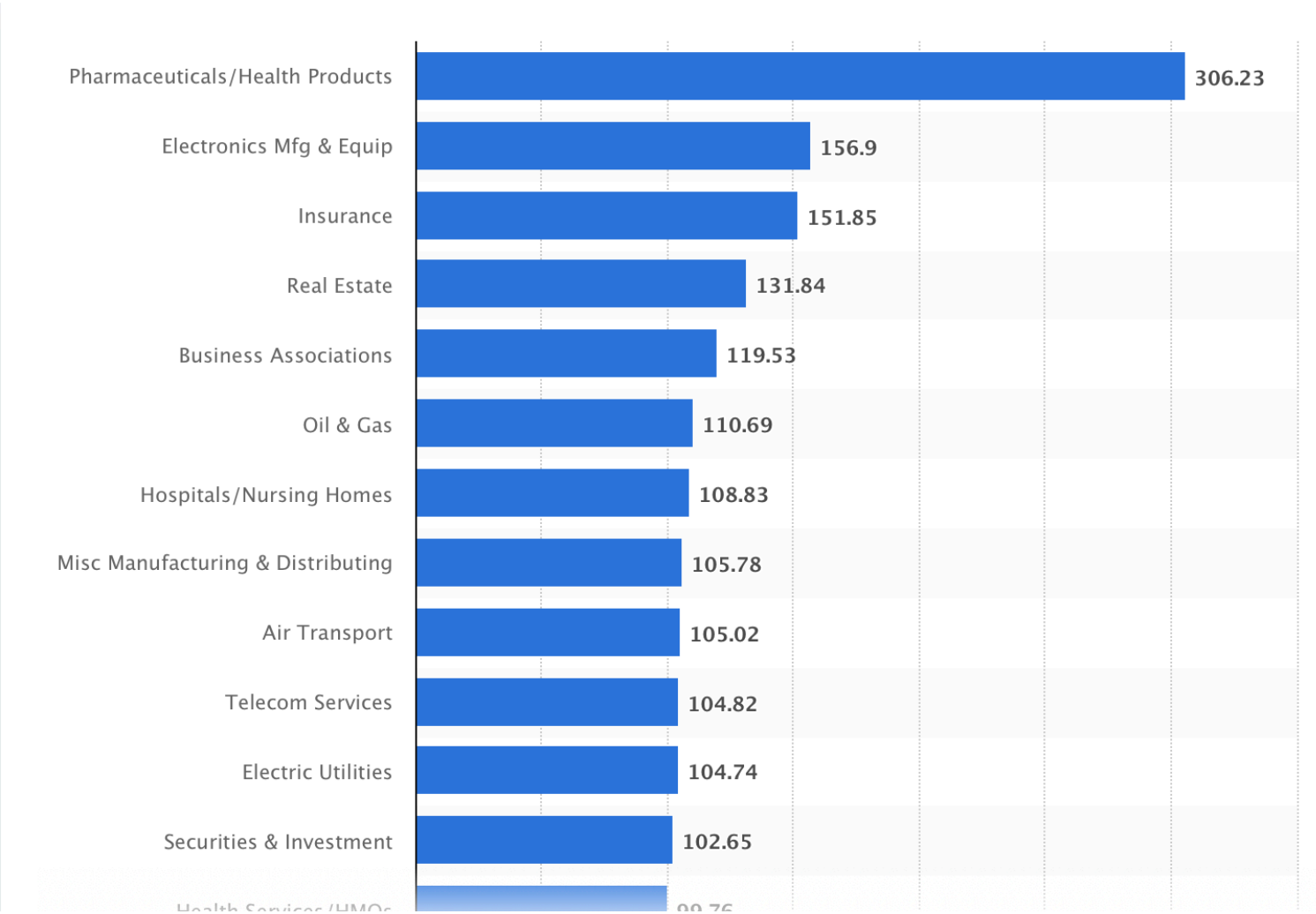
By [Ezekiel J. Emanuel](#)

- Excessive drug prices are the [single biggest category](#) of health-care overspending in the United States compared with Europe, well beyond high administrative costs or excessive use of CT and MRI scans. And unlike almost every other product, drug prices continue to rapidly rise over time. HHS estimates that over the next decade, drug prices will rise 6.3 percent each year, while other health-care costs will rise 5.5 percent.
- [compared](#) prices of the top 20 best-selling drugs in the United States to the prices in Europe and Canada. They found that the cumulative revenue from the price difference on just these 20 drugs more than covers all the drug research and development costs conducted by the 15 drug companies that make those drugs—and then some
- ‘our estimate of the income generated by sales of the product. It is the anticipated income stream, rather than repayment of sunk costs, that is the primary determinant of price.’ Hank McKinnell, a past CEO of Pfizer
- The Pew Charitable Trusts [reports](#) that only about 42 new antibiotics with the potential to treat serious bacterial infections were in clinical development for the U.S. market in December 2018. Six hundred drugs for cancer and only 42 for serious infections seems like profit maximization, not a case of sensible research priorities that reflects “value in preventing and treating disease.”

Big Money in Politics

- The [Pharmaceutical Research and Manufacturers of America](#) raised nearly \$527 million last year (2020) and spent roughly \$506 million, [new tax returns](#) obtained by OpenSecrets reveal. That's a record haul for the organization, which is funded by the world's most powerful pharmaceutical companies.

Leading lobbying industries in the United States in 2020, by total lobbying spending *(in million U.S. dollars)*



Pharmaceutical industry on track to spend more than \$1 million lobbying to defeat Oregon drug pricing bill

- Industry trade group PhRMA reported spending more than \$790,000 on lobbying in Oregon during the first quarter of the year, more than four times as much as any other entity. The group has seven registered lobbyists working in the state.
- The prospect that Oregon could create a Prescription Drug Affordability Board empowered to set upper limits on how much individual and insurance group buyers could pay for the most expensive drugs has attracted national political spending for and against the proposal.
- Supporters of drug price limits dispute PhRMA's claim that potential caps would undermine industry research and development of medicines.