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## Comments of Public Citizen for the World Health Assembly Stakeholder Listening Session

May 2, 2019

Public Citizen is a nonprofit consumer advocacy organization with more than 500,000 members and supporters. We are writing today to urge the United States government to support measures at the World Health Organization that would increase transparency in prescription drug costs and pricing and enhance treatment access.

High prescription drug prices are a global concern.<sup>1</sup> The Trump administration has noted, correctly in our estimation, that “the pharmaceutical market is almost the opposite of a real market” and that “fundamental changes to this system are necessary.”<sup>2</sup> However, focusing on raising prices abroad will not help people in the U.S.<sup>3</sup> Instead it risks harming public health and potentially costing people’s lives. Evidence does not show that U.S. prices are high because of research and development costs. Rather, pharmaceutical companies make more money from overcharging Americans on just 20 drugs than they spend on *all* global research and development (R&D).<sup>4</sup>

A better approach would be to study the costs and benefits of the existing system, and identify more efficient ways of funding R&D. The current model has tremendous inefficiencies: only a sliver of industry revenue is funneled back into R&D. A world is possible in which all countries including the United States pay less for prescription drugs while maintaining or even increasing levels of medical innovation. That should be the aim of the U.S. government.

The World Health Organization recently released a cancer report that analyzed the current R&D model.<sup>5</sup> It measured returns on R&D investments for 99 cancer medicines and found that \$1 of R&D investment

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<sup>1</sup> See e.g., KFF, *Public Opinion on Prescription Drugs and Their Prices* (2018), <https://tinyurl.com/ydbsaj2e> (noting that 24 percent of Americans reported that they or a family member had not filled a prescription, cut pills in half, or skipped doses due to cost); World Health Organization, *Pricing of Cancer Medicines and its Impacts* (2019) (noting that high prices for cancer medicines are “impairing the capacity of health care systems to provide affordable, population wide access”) and Reuters, *Trump says pharma 'getting away with murder,' stocks slide*, January 11 2017, available at <https://tinyurl.com/yb6nqp33> (President-Elect Trump stating that pharmaceutical companies are “getting away with murder” in what they charge the government for medicines).

<sup>2</sup> Alex Azar, Sec. Health and Human Services (HHS), *Why drug prices keep going up — and why they need to come down* (2019), STAT News, available at <https://tinyurl.com/y8doonjz>.

<sup>3</sup> See e.g., Council of Economic Advisers, *Reforming Biopharmaceutical Pricing at Home and Abroad* (2018), available at (“Meaningful reforms would address the root of the problem: foreign, developed nations, that can afford to pay for novel drugs, free-ride by setting drug prices at unfairly low levels, leaving American patients to pay for the innovation that foreign patients enjoy”).

<sup>4</sup> Nancy Yu et al., *R&D Costs For Pharmaceutical Companies Do Not Explain Elevated US Drug Prices*, Health Affairs Blog (2017), available at <https://tinyurl.com/ybt5fan4>

<sup>5</sup> WHO, *Technical Report: Pricing of Cancer Medicines and its Impacts* (2018), available at <https://apps.who.int/iris/bitstream/handle/10665/277190/9789241515115-eng.pdf>



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generated a return of \$14.50, even after adjusting for the probability of trial failure and opportunity costs. The report concluded that “the costs of R&D and production may bear little or no relationship to how pharmaceutical companies set prices of cancer medicines.” This is consistent with the findings of previous U.S. government reports.<sup>6</sup> The U.S. should support efforts to discuss the cancer report at the World Health Assembly.

But the report is only a modest step in understanding the costs and benefits of the current system, given the scarcity of publicly available data. Having more disaggregated data could sharpen the analysis, and more fully elucidate industry practices.

The Italian resolution, entitled Improving the Transparency of Markets for Drugs, Vaccines and Other Health-Related Technologies, would help accomplish this. It requests the World Health Organization to collect and analyze data on a range of topics including research and development costs; manufacturing costs; manufacturing know-how; and patent landscapes. Creating transparency in pharmaceutical markets would reduce the asymmetry of information between pharmaceutical companies and governments. It would equip governments with the information they need to negotiate lower prices and increase treatment access.

It would also help governments evaluate the current system of incentives, and study alternative systems that do not rely on monopolies. For example, governments could “de-link” the cost of research and development from the final price of the drug by incentivizing research and development through grants, tax subsidies and prize funds.<sup>7</sup> In other words, governments could fund innovation without high prices.

The global burden of high drug prices means that there is an unprecedented opportunity to work collectively to craft institutions that better serve the public interest. We should not let the limits of our imagination impose unnecessary, preventable suffering on the three in ten Americans who ration their own prescription drugs<sup>8</sup>, or the millions of people around the world unable to afford their medicines. The U.S. government should support efforts to increase transparency in the prescription drug industry, and work towards reforms that would enhance treatment access globally.

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<sup>6</sup> HHS, Prescription Drugs: Innovation, Spending and Patient Access (2016), available at <http://apps.who.int/medicinedocs/documents/s23128en/s23128en.pdf> (finding that that pharmaceutical corporations set prices not based on R&D spending, but profit maximization)

<sup>7</sup> Delinkage – Fund Innovation without High Drug Prices, <https://delinkage.org/>

<sup>8</sup> KFF, KFF Health Tracking Poll – February 2019: Prescription Drugs (2019), available at [https://www.kff.org/health-reform/poll-finding/kff-health-tracking-poll-february-2019-prescription-drugs/?utm\\_campaign=KFF-2019-February-Poll-High-Prescription-Drug-Prices](https://www.kff.org/health-reform/poll-finding/kff-health-tracking-poll-february-2019-prescription-drugs/?utm_campaign=KFF-2019-February-Poll-High-Prescription-Drug-Prices)