

MYTH vs. FACT: The Truth About PhRMA's Drug Price Reform Lies



Nearly [90% of voters](#) named lowering prescription drug prices as a top health care issue leading into the 2020 election. Now, over a year into the COVID-19 pandemic and 100 days into the Biden Administration, lowering the price of prescription drugs continues to be a top priority for voters in [poll](#) after [poll](#). H.R. 3, the [Lower Drug Costs Now Act](#), would make more medicines affordable, empowering the federal government to negotiate drug prices and capping out-of-pocket costs. The Congressional Budget Office (CBO) estimated that the bill would save the federal government about [\\$456 billion over 10 years](#) which could then be reinvested in research, expanded coverage or health care services.

PhRMA is already aggressively opposing any reform that would limit their monopoly power to set prices and keep them high so they can continue to bolster profits at the expense of patients. Prescription drug corporations will make any number of false claims to retain their power and avoid accountability for decades of price-gouging. Here's the truth about their lies.

MYTH: Drug corporations are the primary drivers of innovation of new drugs and treatments, including COVID vaccines.

FACT: Most innovation is driven by government agencies and funded with taxpayer dollars, not by Big Pharma. According to PhRMA, all companies combined spent [\\$83 billion](#) in research and development in 2019 (down from [\\$102 billion](#) in 2018). NIH alone spends an average of [\\$41.7 billion per year](#) on medical research and development. All 356 new drugs approved by the Federal Drug Administration (FDA) from 2010 to 2019 [included public funding](#). Recent studies show that drug corporations don't spend most of their R&D dollars on innovation of new drugs, but on tweaking older ones to extend patents. A [2019 study from STAT](#) that focused on Johnson & Johnson and Pfizer found that most of their products were not created in house through innovation, but actually acquired from a third party.

In the case of COVID-19, most of the research and technology needed to develop vaccines already existed from decades of previous investment in publicly funded research. The Federal Government granted well over \$12 billion in taxpayer funding to incentivize corporations to join the vaccine fight. Dr. Anthony Fauci, the nation's lead expert on the COVID-19 crisis, named [long-term investment](#) as the key factor in approving a vaccine in record time: *"The speed is a reflection of years of work that went before. That's what the public has to understand."*

MYTH: Developing new medicines or treatments is incredibly expensive, that's why drug corporations charge such high launch prices.

FACT: Not only do drug corporations exaggerate how much they spend on innovating new drugs, they also tend to overestimate the cost of that innovation. Recent [research from JAMA](#) suggests that developing new medicines actually costs less than was originally assumed. The study showed that between 2009 and 2018, the estimated median capitalized research and development cost per therapeutic drug and biologic agent approved by the FDA was [\\$985 million](#), less than half the \$2.6 to 2.8 billion Pharma often cites.

MYTH: Legislation like the Lower Drug Costs Now Act (H.R. 3) that requires drug corporations to negotiate prices will end innovation.

FACT: A study by the Congressional Budget Office (CBO) refutes that industry claim. H.R. 3's reduction of drug corporations' profits by [\\$1 trillion](#) over 10 years would have a low impact on innovation, affecting only [8 of the 300](#) projected drugs in development. In exchange, millions more Americans would be able to afford the medicines they need.

MYTH: Drug corporations raise prices to compensate for on-going research & development on existing medicines.

FACT: In September 2020, [a two-year investigation by the House Oversight Committee](#) found no evidence connecting higher prices with increased R&D based on testimony from the drug corporations themselves and a review of thousands of pages of internal industry documents. The [Senate Finance Committee report](#) on insulin prices echoed these findings. Drug corporations Eli Lilly, Sanofi and Novo Nordisk drastically raised prices for long- and short-acting insulins over the last decade, in some cases over 70% in just 5 years. [Nine out of 10](#) big pharmaceutical corporations spend more on marketing, sales and overhead than on research.

MYTH: Drug corporations blame hospitals, insurers and PBM's for high prices.

FACT: While there are many challenges with the healthcare system overall, when it comes to lack of affordable prescription medicines, drug corporations are the root of the problem. They are the ones who set prices and they have monopoly power to keep those prices high or raise them at will. High list prices have a [downstream impact](#) on drug affordability. Even as yearly increases have slowed some, drug corporations have dramatically increased launch prices. A [recent study](#) showed that the median monthly price of new brand-name drugs increased 381% between 2006 and 2019 and that the median monthly price of new generic drugs increased 712%. These same corporations raise prices typically twice a year on existing drugs by amounts that exceed the rate of inflation. In January, 2021, the drug corporations have already raised list prices on over [830 medicines](#) by an average of 4.6%.