Why are pharmaceuticals so expensive? Should they be this expensive?

Facts and Statistics

20
The average number of years it takes to develop a new medicine

7,000
Medicines are currently in development around the world

88%
Of U.S. prescriptions are filled with generics

$2.4 Billion
The average cost of developing a new medicine

THE GOOD, THE BAD, AND THE UGLY

- Pfizer loses 19 patients in 2012 and loses $38.5 billion, cuts 55,000 jobs
- Viagra patient extended in US and stops generic, Canada dismisses same attempt
- EpiPen prices sky rocket in parallel with CEO’s salary, no increase in production cost
- Gilead prices Sovaldi at $84,000, based on market value with no consideration of R&D
- Martin Shkreli increases price of 60-year-old drug by 5,500%, says drug was underpriced

Expensive Drugs on the Market Today:
Epipen: $608.61 for set of 2
Daraprim: $750 per pill
Sovaldi: $84,000 per treatment
...and many more!

WHO IS AFFECTED?

- Consumers
- Big Pharma
- Insurance Companies
- Research & Development

Pros of Expensive Drugs

- Incentive for pharmaceutical companies
- Provides money for future research and development
- No drug shortages

Cons of Expensive Drugs

- Expensive for patients, insurance companies, employers, and taxpayers
- More people go without necessary drugs

Laws and Regulations that Keep Drug Prices High

- Kefauver-Harris Amendments greatly expanded the FDA’s power to regulate sale of prescription drugs.
- Drug companies are required to do extensive and expensive clinical trials to prove the safety and effectiveness of their product.
- Patent laws allow drug companies to retain exclusivity of their drug product and process for 20 years.
- During this exclusivity period, generic drug manufacturers cannot sell a similar product.

Industry Profit Margins

- U.S. Averages, 2015

References:

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