

# Drug Price Transcript

We pay the highest prices in the world for our prescription drugs. We have about 4% of the world's population, and spend over 40% of the total money spent on drugs. I see 5 basic reasons for this. And all of them can be fixed.

ONE. Too much influence from pharmaceutical company marketing. Many books have been written on the theme that Americans take too many drugs overall. These are the perfectly legal drugs. The books I'm showing you are just a sample.

Both patients and doctors have a distorted view of how much medicine is a good idea.

Dr. Jerry Avorn, of Harvard Medical School, started a special division to help doctors prescribe medicine more appropriately. He also wrote two books for the public. Doctors are not always giving us the best treatment, he tells us, because the number of drugs available and the information about them is overwhelming for the average doctor. Dr. Avorn and colleagues are working to fix that part.

TWO. The public gets no credit for the investment we have all made in drug research and development. Our taxes fund billions of dollars worth of the initial research steps, where scientists learn the mechanism of a disease and the possible chemical targets. This is the hardest, highest risk part of drug development, and usually occurs in academic environments. Private charitable organizations also contribute billions of dollars. No doubt you have had someone ask you to donate money for research on some specific disease, such as breast cancer or Parkinson's disease.

However, once a pharmaceutical company takes on further development of a drug that started with academic research, the pharmaceutical company gets ALL the patent rights.

So in practical terms, all of us subsidize the pharmaceutical companies in their development efforts, so they have more money to spend on marketing. Now we could regulate pharmaceutical marketing. One way would be to ban all marketing to the public, or at least reject these marketing expenses as a tax deduction. As long as drug prices are high enough to pay for massive marketing campaigns, the pharmaceutical companies could at least pay taxes on that money.

THREE. The United States has NO regulation on drug prices. We are the only developed country to let pharmaceutical companies charge whatever they want, even after we paid for a large part of the research they depend on, and we still give them exclusive rights while the drug is under patent protection.

This could be fixed easily. We could start regulating drug prices according to how much benefit the drugs offer, as every other developed country does. Even better, we could regulate the price based on the benefits PLUS how much of the development costs were actually paid for by the pharmaceutical company.

FOUR. Then there is patent manipulation. 80% of prescriptions are for generic drugs, but 80% of our spending is for brand name drugs, many of which are still under patent protection. Pharmaceutical companies have found creative ways to get multiple patents on the same drug. Dr. Avorn tells us “Each of America’s ten top-selling drugs is protected by an average of 74 patents apiece.”

I don't know how they get that many patents, but here's one example. Prilosec and Nexium are the same drug with a minor variation. Prilosec came first, and when the patent ran out, Nexium appeared. Is it different enough to rate a new patent? I don't think so, because they are both available and cost about the same price. And they're over the counter, so if you get heartburn, you can try them yourself.

Patent manipulation is another way to spend a ton of money without producing any benefits to sick people. And this could be fixed fairly easily, with an upgrade to the patent office.

FIVE. Astronomical pay for executives. This is the same problem most American companies have, so it's not easily fixed. But I'll show you the numbers. They do contribute to high drug prices.

I grew up in the post-War boom era, when it seemed obvious that the United States was the best at everything. Now, not so much. But we can fix the areas where we're falling behind, including affordable health care. We just need to get on with it, and drug prices look to me like a great place to start!