

DOLON

# **A critique of the critique: Pharmaceuticals value, price and profitability**

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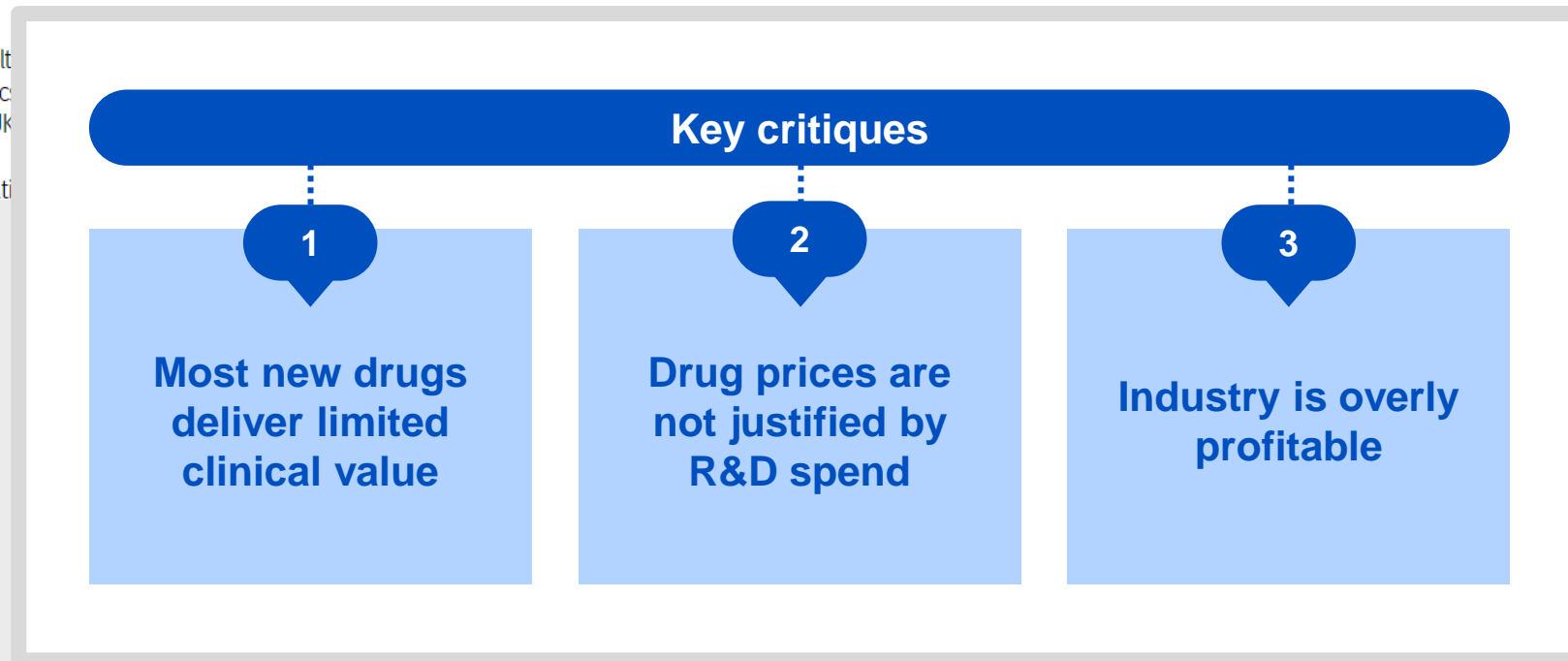
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<sup>3</sup> Institute for Innovation

## High drug prices are not justified by industry's spending on research and development

could provide



## Payers are sceptical

*Selected systematic reviews of added therapeutic value ratings of new drugs*

1

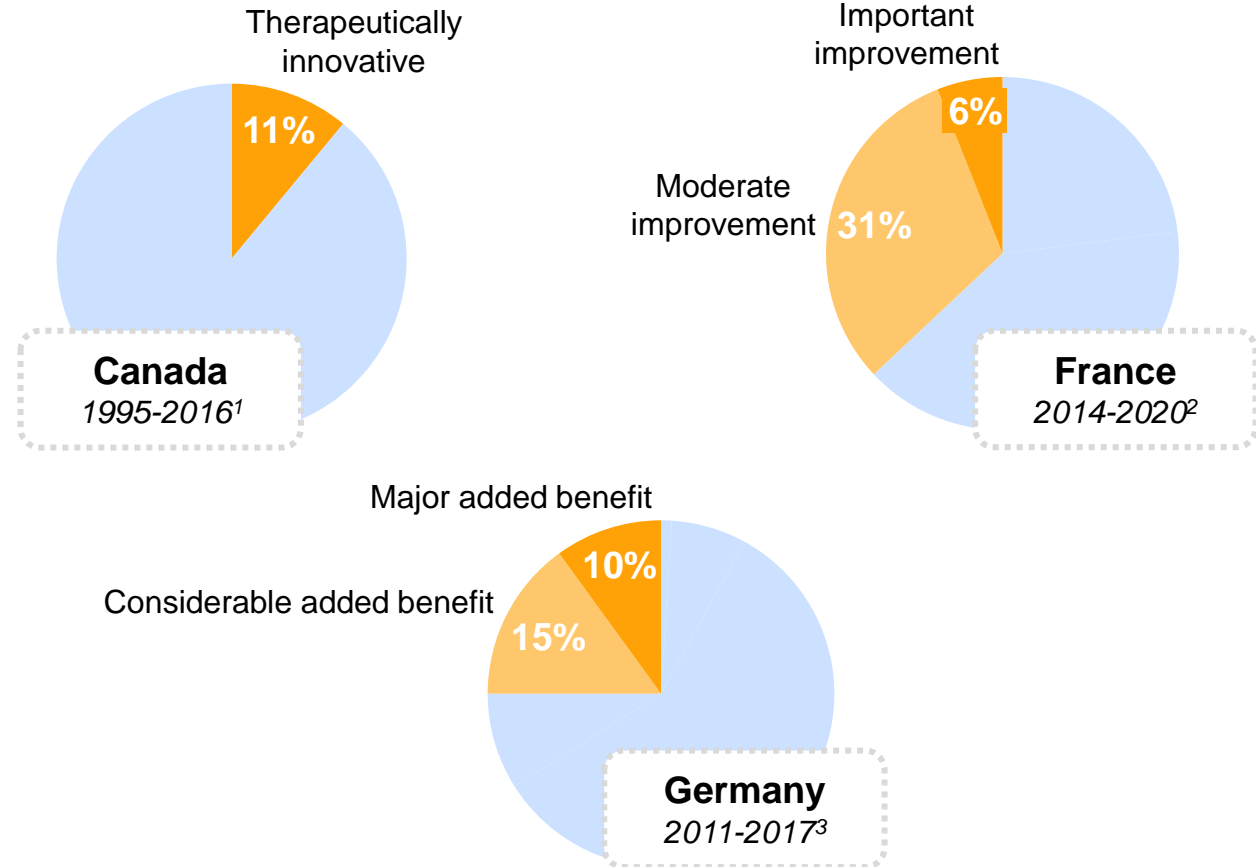
Most new drugs deliver limited clinical value

2

Drug prices are not justified by R&D spend

3

Industry is overly profitable



Sources. 1. Lexchin (2018). 2. Kergall (2021). 3. Wieseler (2019).

1

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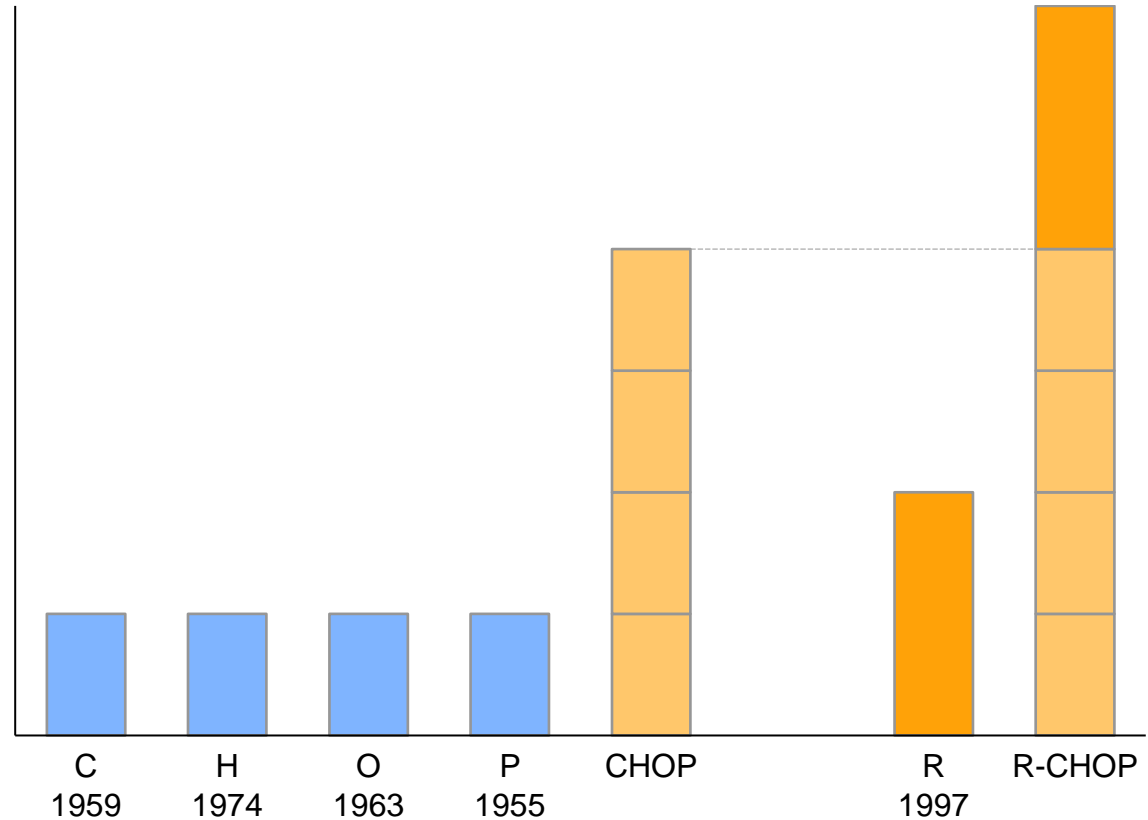
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## No magic bullet: the case of DLBCL

*Benefits to patients due to incremental innovation across diseases (illustrative)*

Patient outcomes



1

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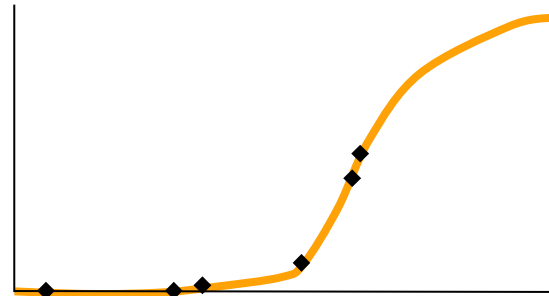
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Industry is overly profitable

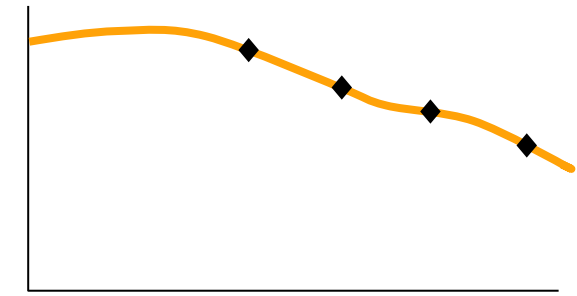
### The role of incremental innovation

Benefits to patients due to incremental innovation across diseases (illustrative)

HIV/AIDS. Deaths averted (1985-2020)<sup>1,2</sup>



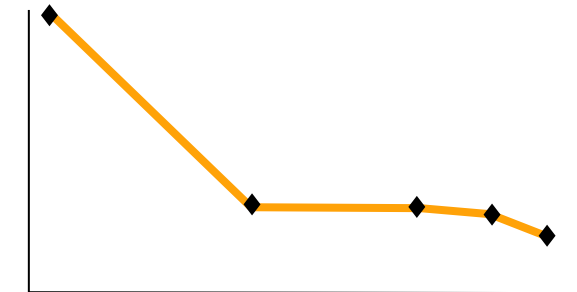
CVD. Decline in deaths (1950-2010)<sup>3,4</sup>



CF. Median predicted survival (1986-2012)<sup>5</sup>



MS. Annualised relapse rate (1992-2020)<sup>6</sup>



◆ Scientific breakthrough or new treatment available

Sources. 1. Dadonaite (2019). 2. Villaluz (2020). 3. NHLBI (2012). 4. Kishore (2018). 5. Mogayzel (2014). 6. Yang (2022).

1

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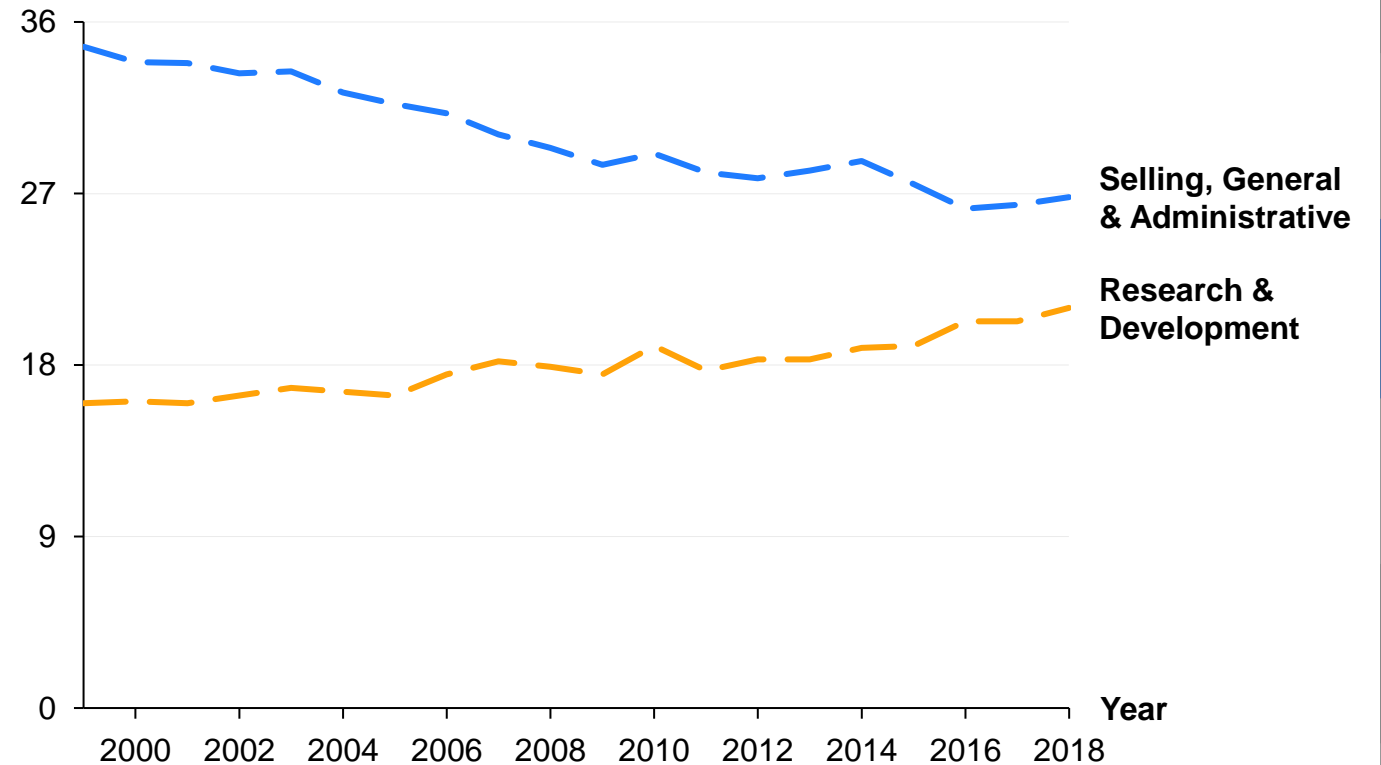
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## Industry priorities: it's not R&D?

Average SG&A and R&D spending for the 15 largest pharmaceutical companies<sup>1</sup>

% of revenue



Sources. 1. Angelis (2023).

1

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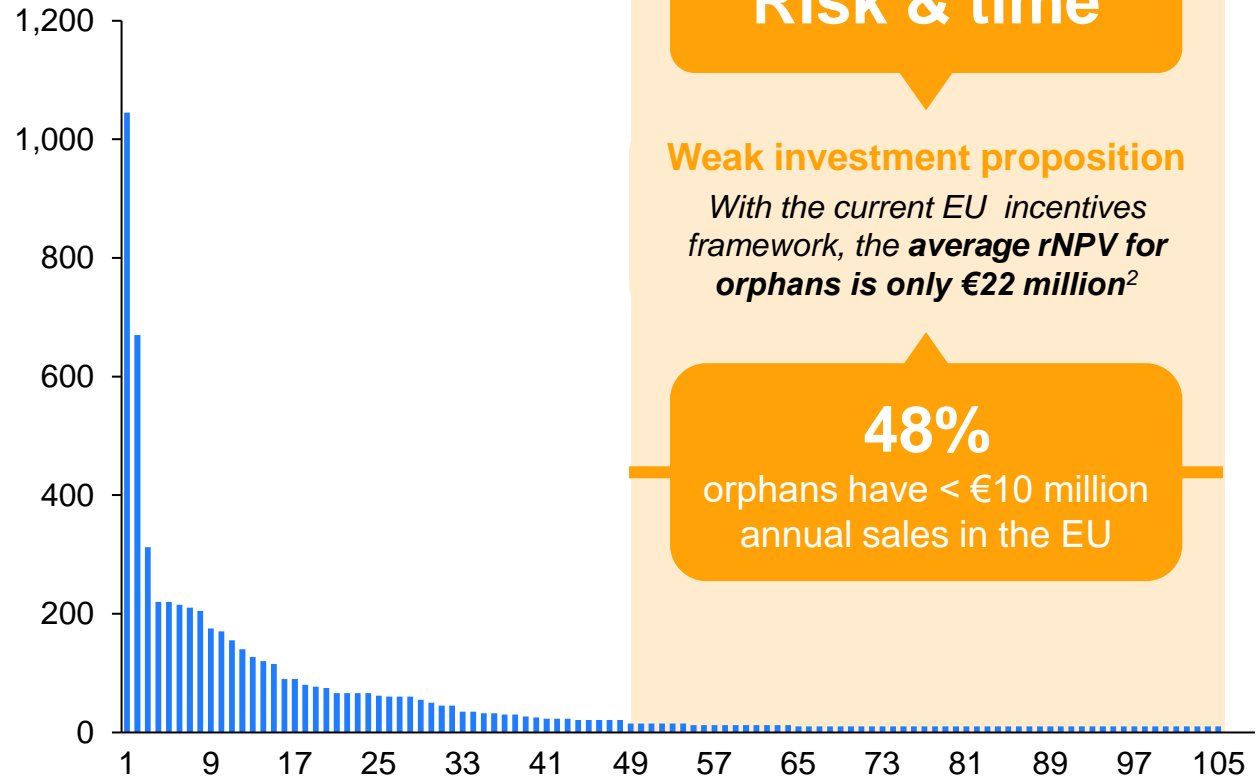
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## Look at revenue, not price

Average annual revenues for orphan medicines (2008-2016)<sup>1</sup>

Annual revenues, in € million



Sources. 1. European Commission (2020). 2. Dolon (2023).

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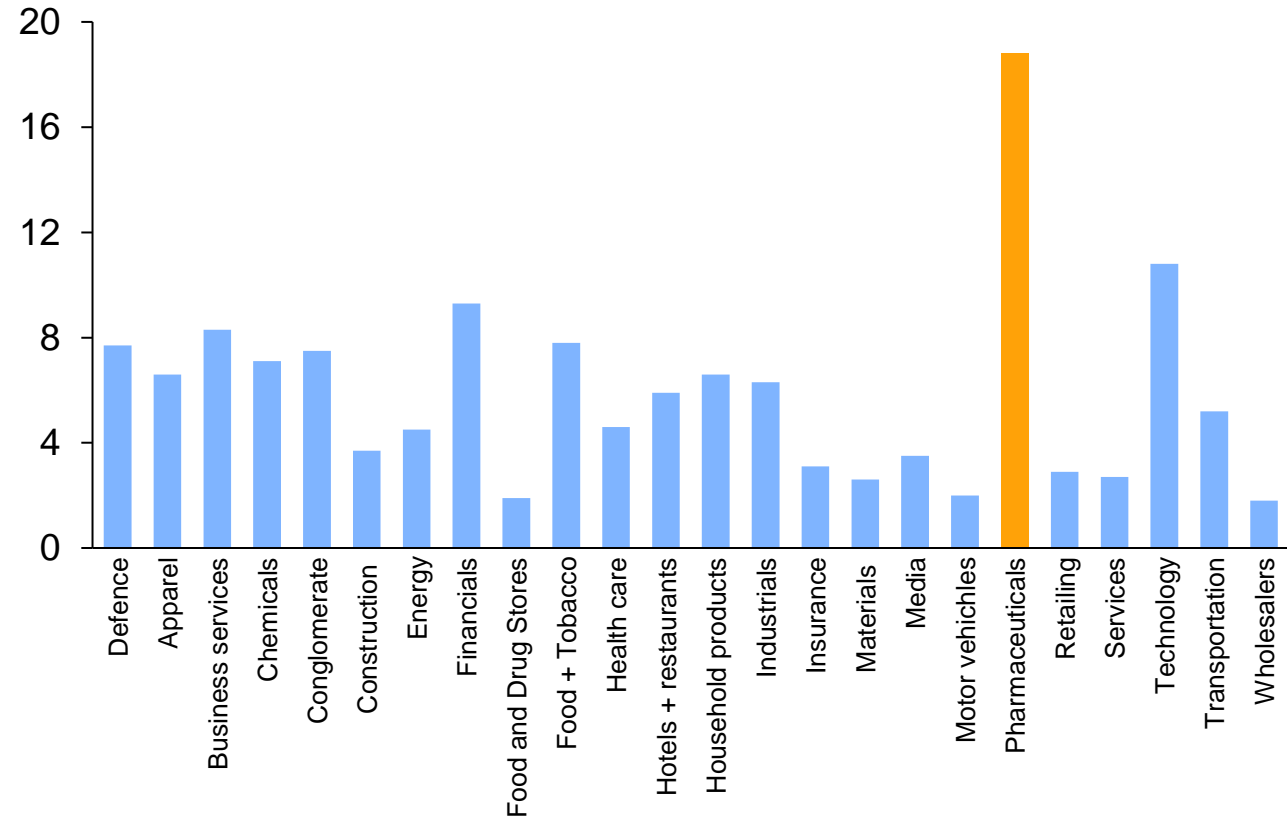
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Industry is overly profitable

### Triple the average of other sectors

Fortune 500 sectoral profit margins (2000-2019)<sup>1</sup>

Mean profit margin between 2000-2019 (%)



1. Hawksbee (2022).



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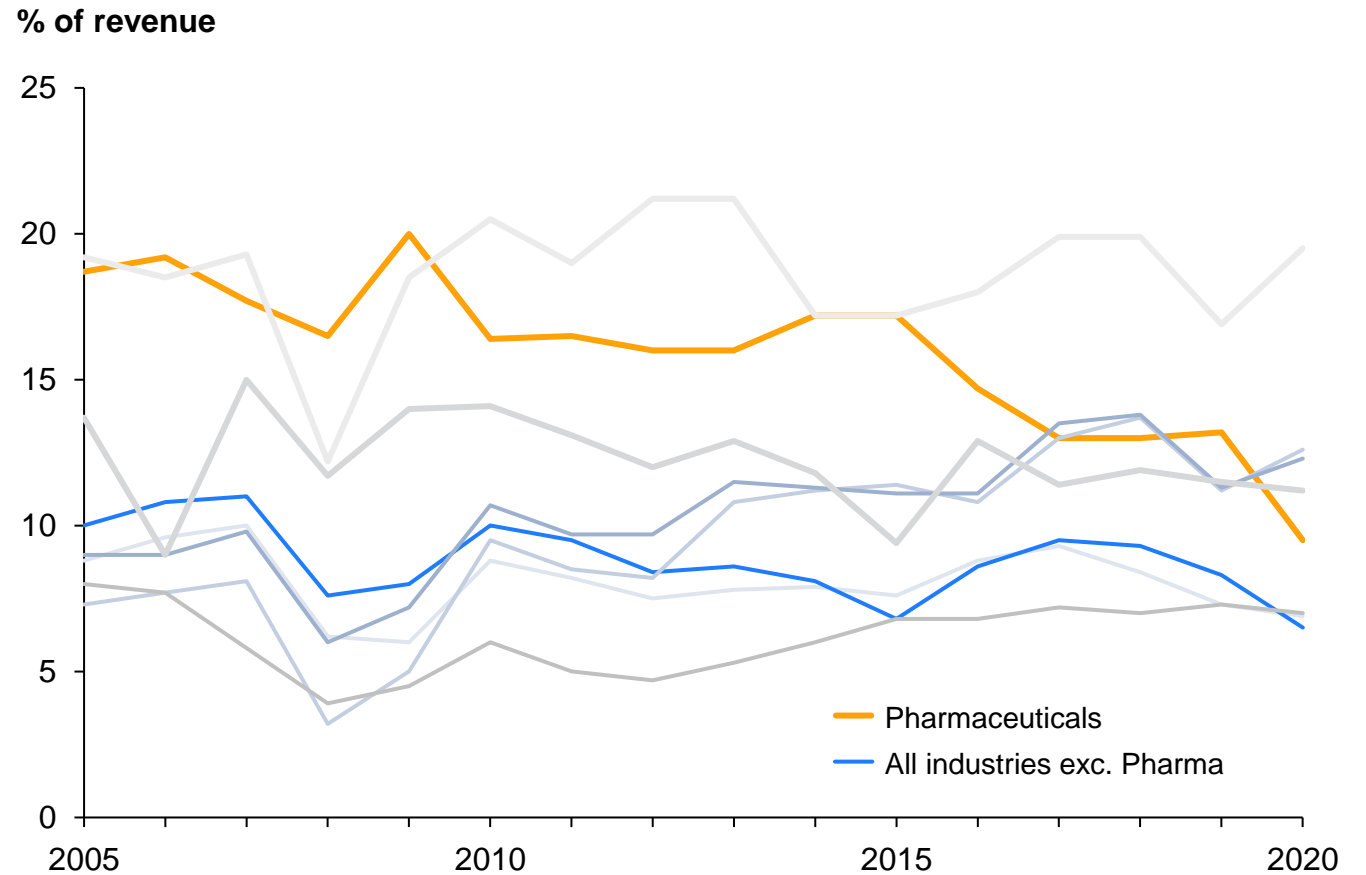
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### No longer so profitable

Aggregate net operating margin in the pharmaceutical and other industries<sup>1\*</sup>



\*Additional industries shown in the graph include: manufacturing; computer, electronic & optical products; other high-tech industries; construction; medical & dental instruments, and software. 1. OECD (2023).

1

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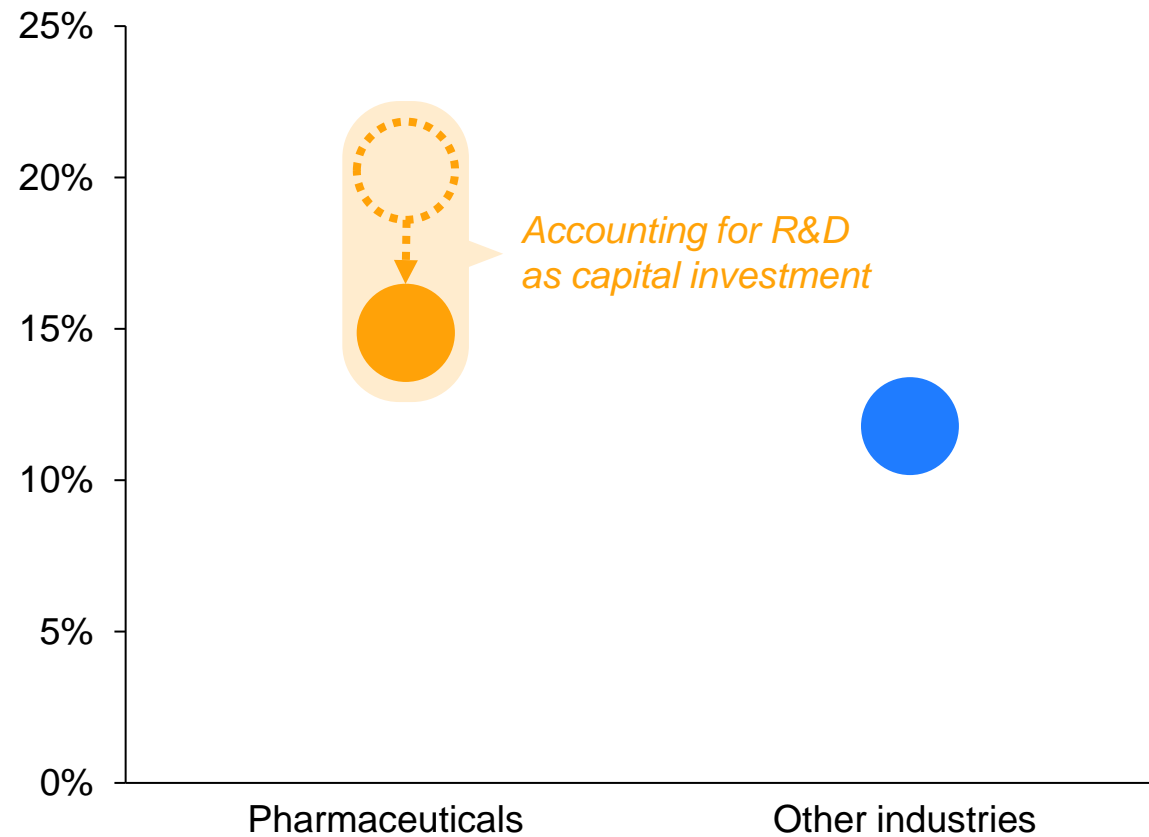
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Industry is overly profitable

## Use the right measure

Return on equity of 320 US pharmaceutical firms vs other industries (2001-2020)<sup>1</sup>

### Return on Equity



1. Goncharov (2023).

# BMJ authors recommendations

1

Link **patents systems** to added therapeutic value

2

Require **comparative evidence** for regulatory approval

3

Clarify **R&D priorities** and use public research funds to support them

4

Retain **(partial) ownership** where public funds contribute to R&D

5

Reform **P&R systems** to reward more clinical benefits

Akin to European Commission direction of travel

Thank you!



**Orphan medicines bring tremendous value to patients, carers, and society**



**Rare disease space presents a challenging economic proposition in Europe**



**Industry profitability is in line with that of other industries**



**Understanding the dynamics of biopharmaceutical innovation requires nuance**



**Policymaking based on oversimplifications comes with high risks for Europe**