In the July 2006 issue of P&T, I discussed the Pharmaceutical Research and Manufacturers of America’s (PhRMA’s) annual review, Pharmaceutical Industry Profile, to give readers an appreciation of how the pharmaceutical industry spends its money.1

Profile 2008 provides a straightforward, “by the numbers” overview of the drug industry.2 Similar to the 2006 review, the 2008 report focuses on how far the industry has progressed. The 2006 report addressed four areas: the drug industry’s commitment to research and development (R&D), access to medications, relief for Hurricane Katrina victims, and other related matters.

The examples that were highlighted in my July 2006 editorial (volume 31, No. 7) included the R&D investment by the industry, the cost of developing new medications, the investment in R&D by the U.S. compared with R&D in Europe, direct-to-consumer (DTC) advertising and spending, and PhRMA’s “special obligation” to patients.

Profile 2008 has updated the R&D figures. In 2005, the entire pharmaceutical industry spent $51.3 billion, whereas PhRMA and PhRMA member companies spent $39.4 billion. In 2007, the number for the entire industry had increased to approximately $59.8 billion and the second number ($39.4 million) was estimated at $44.5 billion, a 12.9% increase from two years earlier.

Spending on medical research in the U.S. continues to outpace spending in Europe. The 2006 report stated that policies, including price controls, had a chilling effect on innovation, and some European companies relocated to the U.S. Profile 2008 shows that the number of compounds in development in 2007 in Europe was 1,415 and was almost double that number in the U.S., at 2,742.

Creating new medications is still very expensive. In 2005, the cost of developing one new pharmacological agent was almost $800 million over a 10- to 15-year period. That time frame has been consistent since 2005, but the cost of developing a single new drug has increased to a staggering $1.3 billion.

Profile 2008 has taken the focus off DTC advertising by not revealing an exact amount of spending for the U.S. In the 2006 report, DTC advertising accounted for less than 2% of the total U.S. spending for prescription drugs. Profile 2008 gives only an overview of the significance of DTC advertising and provides a link to the PhRMA Web site for more information. It’s surprising that Profile 2008 omitted the fact that DTC spending in the U.S. has increased and is having a large impact on the number of medications that doctors are prescribing because patients are insisting on a certain type of drug or specific brand name.

The past two years have seen growth in the development of new drugs as well as in the amount of dollars it takes to help Americans lead healthier, longer lives.

The 2006 review stated that the pharmaceutical industry emphasized its special obligation to patients. In the 2008 review, this obligation extends to enabling patients to have access to all the prescription medications they need.

The past two years have seen growth in the development of new drugs as well as in the amount of dollars it takes to help Americans lead healthier, longer lives. Despite the documented increases in spending, no national policy seems to be addressing future increases or the value we obtain from such spending. In the absence of a national policy, the industry will react to market forces and will decide how to allocate its resources. We might not be able to predict with certainty where these decisions will take us.

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REFERENCES