

On the drug industry | the research and our info

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Rhetoric Versus Reality

But while the rhetoric is stirring, it has very little to do with reality. First, research and development (R & D) is a relatively small part of the budgets of the big drug companies-dwarfed by their vast expenditures for marketing and administration, and smaller even than profits. In fact, year after year, for over two decades, this industry has been far and away the most profitable in the United States. (In 2003 , for the first time, the industry lost its first-place position, coming in third, behind “mining, crude-oil production” and “ commercial banks. ”) The prices drug companies charge have little relationship to the costs of making the drugs and could be cut dramatically without coming anywhere close to threatening R & D.

Second, the pharmaceutical industry is not especially innovative. As hard as it is to believe, only a handful of truly important drugs have been brought to market in recent years, and they were mostly based on taxpayer-funded research at academic institutions, small biotechnology companies, or the National Institutes of Health (NIH) . The great majority of “ new ” drugs are not new at all but merely variations of older drugs already on the market. These are called “ me-too ” drugs. The idea is to grab a share of an established, lucrative market by producing something very similar to a top-selling drug. For instance, we now have six statins (Mevacor, Lipitor, Zocor, Pravachol, Lescol, and the newest, Crestor) on the market to lower cholesterol, all variants of the first. As Dr. Sharon Levine, associate executive director of the Kaiser Permanente Medical Group, put it, “If I’m a manufacturer and I can change one molecule and get another twenty years of patent rights, and convince physicians to prescribe and consumers to demand the next form of Prilosec, or weekly Prozac instead of daily Prozac, just as my patent expires, then why would I be spending money on a lot less certain endeavor, which is looking for brand-new drugs ?” 6

Third, the industry is hardly a model of American free enterprise. To be sure, it is free to decide which drugs to develop (me-too drugs instead of innovative ones, for instance), and it is free to price them as high as the traffic will bear, but it is utterly dependent on government-granted monopolies-in the form of patents and Food and Drug Administration (FDA)-approved exclusive marketing rights . If it is not particularly innovative in discovering new drugs, it is highly innovative-and aggressive-in dreaming up ways to extend its monopoly rights.