

# Public Citizen Report Lambastes Drug Makers for Grossly Exaggerating R&D Costs

SECOND REPORT VILIFIES DRUG LOBBY THAT KEEPS PRICES AND PROFITS HIGH

Editorial Staff

WASHINGTON, D.C. - According to a report by Public Citizen, a group founded by Ralph Nader in 1971 to be the "the consumer's eyes and ears in Washington," the pharmaceutical industry spends "about one-fifth of what it says it spends on the research and development (R&D) of new drugs, destroying the chief argument it uses against making prescription drugs affordable to middle and low-income seniors."

The report by Public Citizen - *Rx R&D Myths: The Case Against the Drug Industry's R&D Scare Card* - (available online at [www.citizen.org/congress/drugs/R&Dscarecard.html](http://www.citizen.org/congress/drugs/R&Dscarecard.html)) details how U.S. drug companies and their lobby group, the Pharmaceutical Research and Manufacturers of America (PhRMA), have "carried out a misleading campaign to scare policymakers and the public." PhRMA has long claimed the pharmaceutical industry needs huge profits to fund research and development of new drugs. With this report, Public Citizen reveals not only that money spent on R&D by the drug companies is grossly lower than they claim, but that taxpayers are footing a good portion of the R&D bill.

"This R&D scare card is built on myths and falsehoods that are maintained by the drug industry to block Medicare drug coverage and measures that would rein in skyrocketing drug costs," asserts Frank Clemente, director of Public Citizen's Congress Watch.

The Public Citizen report is based on an extensive review of government and industry data, and a report obtained through the Freedom of Information Act from the National Institutes of Health (NIH). Among the report's key findings:

- "The after-tax cash outlay - what drug companies really spend on R&D for each new drug (including failures) - is approximately \$110 million (in year 2000 dollars.) This is in marked contrast with the \$500 million figure PhRMA frequently touts. (Emphasis added.)
- "The NIH document shows how crucial taxpayer-funded research is to the development of top-selling drugs. According to the NIH, U.S.-taxpayer-funded scientists conducted at least 55 percent of the research projects that led to the discovery and development of the five top-selling drugs in 1995.
- "Public Citizen found that, at most, about 22 percent of the new drugs brought to market in the past two decades were innovative drugs that represented important therapeutic advances. Most new drugs were 'me-too' or copycat drugs that have little or no therapeutic gain over existing drugs, undercutting the industry's claim that R&D expenses are used to discover new

treatments for serious and life-threatening illnesses." (Emphasis added.)

A second report by Public Citizen, *The Other Drug War: Big Pharma's 625 Washington Lobbyists* ([www.citizen.org/congress/drugs/pharmadrugwar.html](http://www.citizen.org/congress/drugs/pharmadrugwar.html)), examines the U.S. drug industry's \$262 million trail of money during the 1999-2000 elections: \$177 million on lobbying, \$65 million on issue ads, and \$20 million on campaign contributions. The report specifies:

- "The drug industry hired 625 different lobbyists last year - or more than one lobbyist for every member of Congress - to coax, cajole and coerce lawmakers. The one-year bill for this team of lobbyists was \$92.3 million, a \$7.2-million increase over what the industry spent for lobbyists in 1999.
- "Drug companies took advantage of the revolving door between Congress, the executive branch and the industry itself. Of the 625 lobbyists employed in 2000, more than half were either former members of Congress (21) or worked in Congress or other federal agencies (295).
- "The industry's \$20 million in campaign contributions, and millions more in issue ads attacking candidates opposed by the industry, aided its army of lobbyists in gaining access to congressional representatives."

"The drug industry is stealing from us twice," judged Mr. Clemente. "First it claims that it needs huge profits to develop new drugs, even while drug companies get hefty taxpayer subsidies. Second, the companies gouge taxpayers while spending millions from their profits to buy access to lawmakers and defeat pro-consumer prescription drug legislation."

Rep. Pete Stark (D-CA), the ranking Democrat on the House Ways and Means Health Subcommittee, commends Public Citizen for exposing the pharmaceutical industry's true R&D spending. "Not surprisingly, pharmaceutical companies have been deceiving Congress and the American public for years."

"Millions of our seniors have paid taxes for decades and contributed to the development of new drugs," observes Rep. Tom Allen (D-ME). "Now in their retirement, they pay the highest prices in the world for these drugs. ...The public deserves better."

Public Citizen has called on Congress to pass a Medicare-run prescription drug program with strong cost controls that guarantees affordable prices for middle and low-income seniors.

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