

Is there too much or too little pharma innovation?

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Is there too much or too little innovation?

- The definitive answer: Yes.
 1. New meds
 2. Me-too meds
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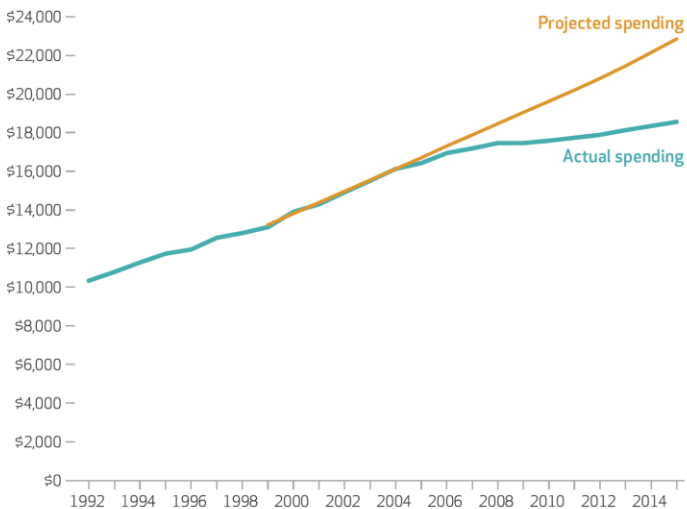
Types of new medications

1. Truly beneficial drugs

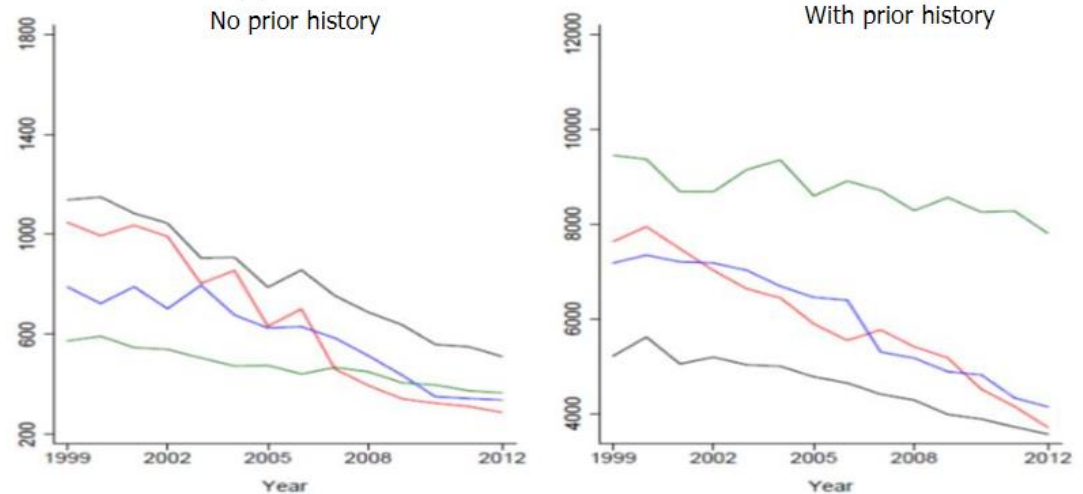
- HepC meds
- CVD meds

EXHIBIT 1

Real per capita health care spending for the elderly, 1992-2015



Hospitalization rates per 100,000

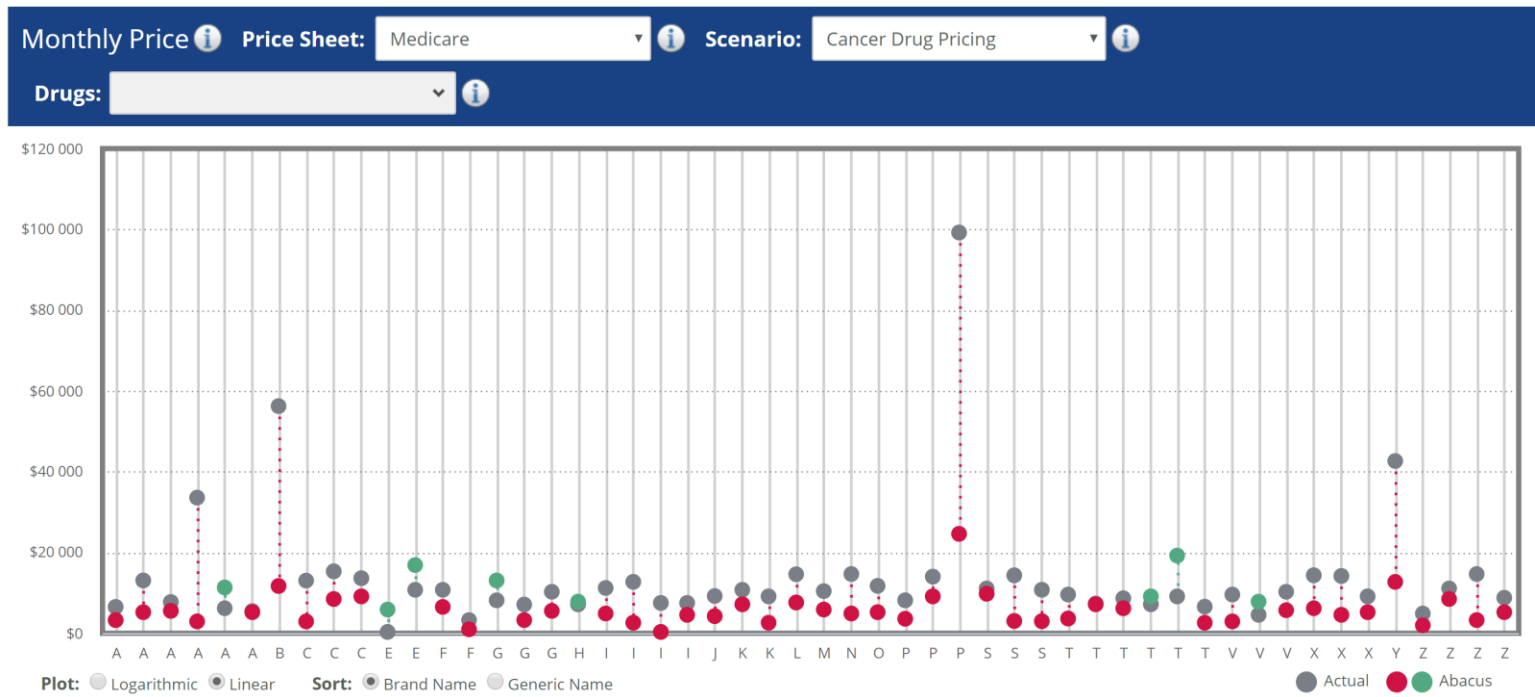


Source: Medicare Current Beneficiary Survey, 1999-2012

— Other heart — IHD
— Cerebrovascular — CHF

Types of new medications

2. Drugs whose price approximately equals their benefits



3. Drugs that do harm (Opioids)

What about me-too meds?

Benefits

- More competition
 - Transfer rents from pharma companies to consumers
 - (Not a social welfare impact)
 - Lower prices allow more people to access
 - (Generally a social welfare gain)

Costs

- R&D

Benefit-cost analysis is not obvious