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

Types of new medications

Truly beneficial drugs HepC meds

With prior history No prior history 2000 80 - CVD meds 10000 400 EXHIBIT 1 8000 8 Real per capita health care spending for the elderly, 1992-2015 \$24,000 Projected spending \$22,000 -6000 8 \$20,000 -\$18,000 -8 Actual spending \$16.000 -200 1999 2002 2005 2008 2012 1999 2002 2005 2008 2012 \$14,000 -Year Year \$12,000 -Source: Medicare Current Beneficiary Survey, 1999-2012 \$10.000 \$8,000 -Other heart IHD \$6,000 -CHF Cerebrovascular \$4.000 -\$2.000 -\$0.

Hospitalization rates per 100,000

1992 1994 1996 1998 2000 2002 2004 2006 2008 2010 2012 2014

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