

TESTIMONY

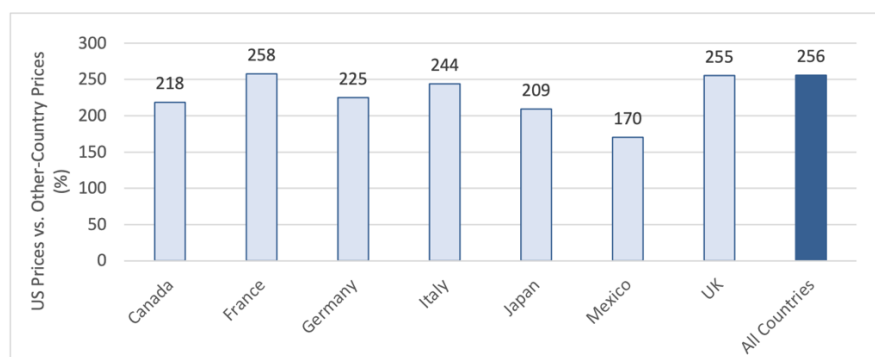
LD 1636: An Act To Reduce Prescription Drug Costs by Using International Pricing SUPPORT OF APPROVAL February 13, 2022

Dear Senator Sanborn, Representative Tepler and members of the Joint Standing Committee on Health Coverage, Insurance and Financial Services:

I would like to add a perspective in support of LD 1636. I am Professor Emerita of Biomedical Sciences from the University of New England, College of Osteopathic Medicine. My PhD was earned in Pharmacology and Toxicology, and my research focused on heart disease and diabetes. My research career was funded federally by the National Institutes of Health (NIH) and privately by various foundations (i.e., American Heart Association, American Diabetes Association).

The US taxpayer pays for drugs on both ends of the spectrum, in terms of providing funding for biomedical science research and paying the costs of prescription drugs. While I support many goals of the pharmaceutical companies, I am deeply concerned that citizens in the US pay more for prescription brand-named drugs than those in any other country (in total dollars and per capita)¹, yet also pay a substantial amount for the research and development (R&D) that lead to drug discovery. The RAND Corp published a Research Report, comparing the costs of prescription drugs in the US and other countries. Their conclusions are succinctly summarized on pp. xiv-xv of their report². Figure A illustrates that the US pays 218% more than Canada for all prescription drugs (in other words, Canada pays 46% less). A more striking difference is when costs are separated by brand-name and generic drugs. The brand-name drugs cost 294% more in the US than in Canada (Figure S.2 in the 2021 RAND Report), whereas generic drugs cost less in the US (57%) than in Canada (Figure S.3 in the 2021 RAND Report). This brings the overall comparison costs down to the 218% as illustrated in Figure A.

Figure 3.1. U.S. Prescription Drug Prices as a Percentage of Prices in Selected Other Countries, All Drugs, 2018



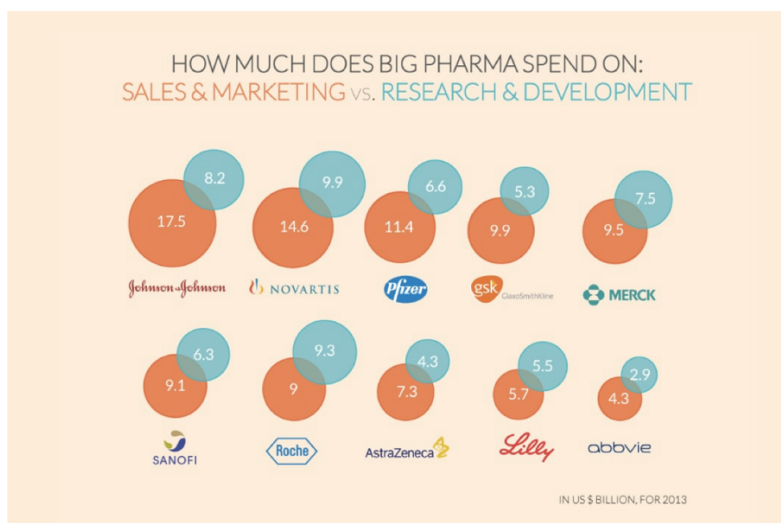
SOURCE: Author analysis of IQVIA MIDAS sales and volume data for calendar year 2018 (run date October 28, 2019).
NOTE: "All countries" refers to all 32 OECD comparison countries combined. Other-country prices are set to 100. Only some presentations sold in each country contribute to bilateral comparisons.

Figure A from "International Prescription Drug Price Comparisons: Current empirical estimates and comparisons with previous studies", 2021, RAND Research Report.

Taxpayers also invest heavily in drug discovery and development by supporting federally funded research. The NIH spent ~\$537 billion in biomedical research (both basic science and clinical) from 2000-2020, spending ~\$37 billion in FY 2020 research, with an overall budget of \$41.6 billion)³. The Congressional Budget Office published a report in April 2021, describing R&D in the pharmaceutical industry and contributions made by

federal dollars (via NIH funding and tax relief)⁴. In addition to describing the process and expenditures for getting a drug to market it also highlights the integral relationship between federally funded programs and the private, for-profit sector (pp. 18-19).

According to a number of resources, most pharmaceutical companies spend more for direct-to-customer marketing than R&D. For example, the Figure B shows the estimated distribution of expenditures per pharmaceutical company listed⁵. In 1997, FDA regulations were loosened allowing companies to market directly to consumers, which has led to precipitous increases in marketing and precipitous decreases in basic research (details on specific expenditures of top drugs can be found in JAMA 2019⁶ and LA Times 2019)⁶.



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Figure B from “Big pharmaceutical companies are spending far more on marketing than research”, By Ana Swanson, February 11, 2015, Washington Post.

In summary, it makes no sense to have people in the US pay more for drugs than people in other countries, when we have already paid for a significant portion of the development costs. In addition, if high prescription drug prices in the US are based on defraying R&D costs, it would be logical to devote fewer resources to direct-to-consumer marketing, thus saving billions of dollars. The importance of passing LD 1636 would provide a justifiable method to reduce unreasonable prescription drug prices in Maine.

Respectfully submitted,

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References Cited:

¹ Mikulic M. Market share of the leading global pharmaceutical markets 2020. Statista, Aug 18, 2021. <https://www.statista.com/statistics/245473/market-share-of-the-leading-10-global-pharmaceutical-markets/>

² Mulcahy AW, Whaley C, Tebeka MG, Schwam D, Edenfield N, Becerra-Ornelas AU. International Prescription Drug Price Comparisons: Current empirical estimates and comparisons with previous studies, 2021. https://www.rand.org/pubs/research_reports/RR2956.html

³ Mechanism Detail for NIH FY 2000-FY 2020
[https://officeofbudget.od.nih.gov/pdfs/spending_history/Mechanism%20Detail%20by%20IC%20FY%202000%20-%20FY%202020%20\(V\)%20\(11.10.2021\).pdf](https://officeofbudget.od.nih.gov/pdfs/spending_history/Mechanism%20Detail%20by%20IC%20FY%202000%20-%20FY%202020%20(V)%20(11.10.2021).pdf)

⁴ “Research and Development in the Pharmaceutical Industry”. Congressional Budget Office, April 2021. <https://www.cbo.gov/publication/57025>

⁵ Swanson A “Big pharmaceutical companies are spending far more on marketing than research”, February 11, 2015, Washington Post.
<https://www.washingtonpost.com/news/wonk/wp/2015/02/11/big-pharmaceutical-companies-are-spending-far-more-on-marketing-than-research/>

⁶ Schwartz LM, Woloshin S. “Medical Marketing in the United States”, 1997-2016. JAMA 2019; 32(1):80-96. <https://jamanetwork.com/journals/jama/fullarticle/2720029>

⁷ Healy M. Companies spent nearly \$30 billion in one year marketing medical products to Americans. LA Times, Jan 9 2019. <https://www.latimes.com/science/sciencenow/la-sci-sn-medical-marketing-money-20190109-story.html>