For the first time in history, thanks to prescription drug price reforms in the Inflation Reduction Act, the federal government can negotiate directly with big drug companies to lower the outrageous prices they are charging older adults and people with disabilities who rely on Medicare. This is a major step forward in decreasing the cost of lifesaving prescription drugs.

Too often, big drug companies use their immense profits to protect their drug patents — a move that ensures they do not face legitimate price competition and allows them to continue to price gouge millions of Americans who rely on prescription drugs.

Between July 2021 and July 2022, 1,216 drug products had price increases that were higher than the inflation rate (8.5%). Some increased by more than 500%.
The truth is:

**Big drug corporations earn massive profits at the expense of America’s families**

If brand-name drug manufacturers lost $1 trillion in sales, they would still be the most profitable industry sector. Even with this $1 trillion sales loss, drugmakers could maintain their existing research investments.¹

**Big drug corporations spend relatively little on innovation**

» In 2021, big drug companies spending the most on research and development (R&D) spent only about 20% of their revenue on R&D.²

» In contrast, from 2012-2021, big drug companies spent a much higher percentage of net income on stock buybacks and dividends.³

» 2012-2021, the top 14 drug companies spent 13% more on distributions to stakeholders — stock buybacks and dividends combined — than they spent on research and development.

<table>
<thead>
<tr>
<th></th>
<th>% of revenue on R&amp;D</th>
<th>% of net income on buybacks</th>
<th>% of net income on dividends</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pfizer</td>
<td>17%</td>
<td>48%</td>
<td>53%</td>
</tr>
<tr>
<td>Merck &amp; Co.</td>
<td>25.1%</td>
<td>63%</td>
<td>78%</td>
</tr>
<tr>
<td>AbbVie</td>
<td>12.6%</td>
<td>53%</td>
<td>79%</td>
</tr>
</tbody>
</table>
Instead of innovating, big drug corporations protect their existing patents and keep real competition from the market, which allows them to increase the cost of existing drugs

» On average, there are 140 patents filed and 74 patents granted for each of the top 10 selling drugs, and 66% of those patent applications are filed after approval by the Food and Drug Administration.

Patent exclusivity brings higher profits:

<table>
<thead>
<tr>
<th>Drug</th>
<th>Daily Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revlimid</td>
<td>$23.8 MILLION</td>
</tr>
<tr>
<td>Keytruda</td>
<td>$26.8 MILLION</td>
</tr>
<tr>
<td>Humira</td>
<td>$47.5 MILLION</td>
</tr>
</tbody>
</table>

before its first competitor entered the market in 2023

» A June 2023 report by the Medicare Payment Advisory Commission (MedPAC) stated, “Manufacturers set prices based on what they believe the U.S. health care market will bear ... whether or not evidence exists that the product is comparatively more effective than existing standards of care.” This is as true for new treatments as it is for older drugs and those with therapeutic alternatives.

» MedPAC’s report also stated, “The largest factor contributing to growth in Part B drug spending has been the rise in average price paid by Medicare.” Another MedPAC report from June 2021 reported similar findings: Drug spending under Medicare Part B increased 26% from 2013 through 2018, with increased drug spending attributed to higher prices and not an increase in the number of prescriptions filled. The same 2021 report found the same true for Medicare spending on drugs that consumers purchased at the pharmacy, which grew by 26% for the same number of prescriptions.

“In the 21st century, most drug companies have replaced moonshots with chip shots. ... Rather than chasing the elusive game-changing drug, today’s biopharma giants focus on monetizing easy wins.”

— Dr. Robert Pearl, M.D.
Endnotes


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