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## **Response to Drug Industry Claims Regarding the Pricing of Breast Cancer Drugs**

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Congressional reports have shown that older Americans and others who pay for their own drugs are charged more for their prescription drugs than are the drug companies' most favored customers, such as health maintenance organizations and the federal government. The most recent report on five brand-name drugs prescribed to treat breast cancer finds that women with breast cancer who lack prescription drug coverage must pay more than twice as much for these drugs as favored customers. This fact sheet analyzes the industry's claims about the breast cancer drug study.

### **Industry Claim: High prices must be paid for breast cancer drugs in order to fund research and development.**

The Facts: It is true that drug manufacturers' profits help pay for research and development. However, this does not explain why discriminatory prices are necessary for breast cancer drugs. Under the current pricing system, the highest prices for breast cancer drugs are being paid by those who can least afford them: women without prescription drug coverage. It is unfair to expect women who cannot afford their drugs to bear a disproportionate share of research and development costs.

Moreover, the drug manufacturers have other ways of funding research and development without resorting to abusive pricing practices. For example, the drug manufacturers make substantially more in profits (\$26.2 billion)<sup>1</sup> than they spend on research and development (\$17.2 billion).<sup>2</sup> The manufacturers also spend large amounts (\$11 billion) on advertising and marketing.<sup>3</sup> Research and development expenses could be funded out of these sources.

### **Industry Claim: The report uses an inappropriate "apples-to-oranges" comparison.**

The Facts: The report did not use an inappropriate methodology to compare prescription drug prices. The goal of the survey was to compare prices that women without prescription drug coverage must pay to purchase breast cancer drugs with the prices at which favored customers can purchase the same drugs. The only way to accomplish this goal is by directly comparing the different prices at which these purchasers buy drugs.

Furthermore, the report explicitly recognizes that manufacturers are not responsible for all of the price differential between the “retail” prices paid by women and the “wholesale” prices paid by the most favored customers. The report estimates that the combined wholesale and pharmacy markup for the five breast cancer drugs is 19% on average. This markup can explain less than one-third of the difference between the prices paid by breast cancer patients and the prices paid by favored customers.

**Industry Claim: The drugs analyzed in the study are not a representative sample.**

The Facts: The drugs investigated in the report are the five highest selling brand-name drugs that are approved by the Food and Drug Administration for outpatient hormonal treatment of breast cancer.

The study did not include oral chemotherapy drugs that are used to treat breast cancer as these drugs are generally taken for a short period of time (six months or less). Moreover, because they are chemotherapy drugs, they fall into the narrow class of drugs that are covered by Medicare. Other breast cancer drugs, such as Taxol, are not included in the analysis because they are generally dispensed in a hospital setting, not via outpatient prescription.

The report did not include generic drugs because manufacturers of generic drugs do not have patent protection and therefore have less control over prices than do manufacturers of brand-name drugs.

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**Endnotes**

1. *1999 Fortune 500 Industry Snapshot: Pharmaceuticals* (1999) (online at [www.pathfinder.com/fortune/fortune500.ind21.html](http://www.pathfinder.com/fortune/fortune500.ind21.html)).
2. *Drug Dependency: U.S. Has Developed an Expensive Habit*, Wall Street Journal (Nov. 16, 1998).
3. *Id.*