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VEPACHEDU EDUCATIONAL FOUNDATION

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IP and Industry News

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Issue 127

Drug Development Cost
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Drug Development Cost¹

Drug development remains a costly undertaking despite ongoing efforts across the full spectrum of pharmaceutical and biotech companies to rein in growing research and development costs. The estimated average cost of developing an approved new drug has more than doubled to more than \$2.5 billion from a 2003 estimate by Tufts University. In 2003, the estimated average cost for developing a new approved drug was \$802 million, equivalent of \$1.04 billion in 2013 dollars.

It assumes average spending of \$1.395 billion on each drug, plus \$1.163 billion in "time costs," or returns investors forego while a drug is in development. The estimate lumps together the costs of developing approved drugs and of studying those that fail. Many new drugs cost \$75,000 or more for a course of treatment.

In 1984, the Drug Price Competition and Patent Term Restoration Act took control of the pharmaceutical industry away from the big drug makers in the interest of stoking competition by allowing generic drugs. Brand companies could enjoy the profits they earned until their patents expired to make up for the cost of development and marketing, and then generic versions of the drug would be released to the marketplace. As a result of skipping the development and marketing, generic drug prices were lower, and by competing with brand names, they kept all prices as low as possible. However, generic drug costs are also creeping up. Numerous factors may cause price increases for non-patent-protected drugs, including drug shortages, supply disruptions, and consolidations within the generic-drug industry. Manufacturers of generic drugs

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that legally obtain a market monopoly are free to unilaterally raise the prices of their products. The Federal Trade Commission will not intervene without evidence of a conspiracy among competitors or other anticompetitive actions that sustain the increased priceⁱⁱ.

Golden Parachutesⁱⁱⁱ

The CEOs involved in the 10 biggest US deals this year are set to rake in an estimated \$430 million in payments, according to a study done by pay-tracking firm Equilar . The payoffs are often negotiated when CEOs are hired. They're designed to compensate chief executives for losing their jobs and years of big pay so they won't stand in the way of a sale that is good for shareholders. Numerous studies have shown that many merger deals are bad for shareholders of the combined companies in the long run.

CEOs of Best Performing Biotech and Pharma^{iv}

The Harvard Business Review released its annual list of the "best-performing" CEOs in the world, using metrics such as long-term growth and market capitalization. Only CEOs who have served for at least two years were included in the rankings.

1. John Martin, Gilead Sciences (#2 in overall ranking), Total compensation: \$15,451,862
2. David Pyott, Allergan (#4), Total compensation: \$11,632,936
3. Lars Rebien Sørensen, Novo Nordisk (#6), Total compensation: \$2,760,550
4. J. Michael Pearson, Valeant (#8), Total compensation: \$6,997,734
5. George Paz, Express Scripts (#20), Total compensation: \$13,040,682
6. Paul Bisaro, Actavis (#31), Total compensation: \$11,024,994
7. Kent Thiry, DaVita (#37), Total compensation: \$17,099,257
8. George Scangos, Biogen Idec (#40), Total compensation: \$14,925,670
9. Ulf Schneider, Fresenius (#41), Total compensation: \$6,010,000
10. Joseph Papa, Perrigo (#47, tie), Total compensation: \$6,146,036
11. John Hammergren, McKesson (#53), Total compensation: \$25,032,775
12. Lars Rasmussen, Coloplast (#74), Total compensation: \$1,817,344
13. Michael Mussalem, Edwards Lifesciences (#86, tie), Total compensation: \$6,611,950
14. Jean-Paul Clozel, Actelion (#88), Total compensation: \$6,672,666

Top Biotech Jobs^v

Based on the data from the Bureau of Labor Statistics (BLS) and the 11th Annual Report and Survey of

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Biopharmaceutical Manufacturing Capacity and Production from BioPlan Associates, a global analysis of 238 biomanufacturers and 178 suppliers in 31 countries, the top 10 biotech careers are listed below:

1. Biomedical Engineers, median income is \$86,960
2. Medical and Clinical Technicians or Technologists, median income is \$57,580; medical laboratory technicians median income is \$37,240
3. Biophysicists and Biochemists median income is , \$81,480
4. Medical Scientists , median income is \$76,980
5. Epidemiologists , median income is \$65,270
6. Bio Technicians, median income is \$39,750
7. Microbiologists, median income is \$66,260
8. Process Development and R&D Scientists, median income is \$74,292
9. Regulatory QA/QC Biomanufacturing Specialist, median income is \$84,652
10. Bioproduction Operators , median income is \$81,480

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Source: The primary sources cited above, New York Times (NYT), Washington Post (WP), Mercury News, Bayarea.com, Chicago Tribune, USA Today, Intellihealthnews, Deccan Chronicle (DC), the Hindu, Hindustan Times, Times of India, AP, Reuters, AFP, womenfitness.net, about.com, mondaq.com, etc.

Om! Asatoma Sadgamaya, Tamasoma Jyotirgamaya, Mrityorma Amritamgamaya, Om Shantih, Shantih, Shantih!
(Aum! Lead the world from wrong path to the right path, from ignorance to knowledge, from mortality to immortality, and peace!)

ⁱ <http://www.reuters.com/article/2014/11/18/pharmaceuticals-tufts-idUSL2N0T82WO20141118>

ⁱⁱ <http://www.nejm.org/doi/full/10.1056/NEJMp1408376>

ⁱⁱⁱ <http://gulfnnews.com/business/economy/ceos-in-10-big-mergers-to-get-430m-study-1.1416566>

^{iv} <http://www.biopharmadive.com/news/the-14-best-performing-ceos-in-biotech-and-pharma/324929/>

^v <http://www.biospace.com/News/top-10-biotech-careers-ranked/356193>

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