PORTAL
Program on Regulation, Therapeutics, And Law

Division of Pharmacoepidemiology and Pharmacoeconomics
Harvard Medical School and Brigham & Women's Hospital
Aaron S. Kesselheim, M.D., J.D., M.P.H., Director
Jerry Avorn, M.D., Co-Director

Phone: 617-278-0930
Fax: 617-232-8602
www.PORTALresearch.org

July 1, 2021

Committee on Oversight and Reform
Committee Office
2157 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairwoman Maloney:

Thank you for your follow up question regarding my testimony from the May 18, 2021 hearing entitled "Unsustainable Drug Prices (Part III): Testimony from AbbVie CEO Richard Gonzalez." Your question and my answer are listed below:

> American drug companies often choose to sell their products in foreign countries with centralized government control of drug pricing. Given that drug companies choose to sell their products abroad, and that every drug approved by the Food and Drug Administration from 2010 to 2016 was developed at least in part with National Institutes of Health–supported research, some additional context on drug company profits and returns would be helpful.

1. Are you aware of any research on what a reasonable rate of return would be for a drug, particularly when taking into account that many drugs are developed with federally funded research? If not, would it be reasonable to study this matter?

It would definitely be reasonable to continue to study this matter. As you mentioned, all FDA-approved drugs can be connected back to federally-funded research at some level, because the NIH provides over $40 billion per year for basic and translational scientific investigations that private pharmaceutical manufacturers and venture capitalists tend not to support. In addition, research conducted by our group has found that about 25% of new drugs and over 40% of biologics over the last decade can be linked to late-stage support from government-funded organizations at academic medical centers or other non-profit institutions, including the most transformative drugs approved by the FDA during that time. Government funding provides key support at some of the riskiest stages of drug development. While the pharmaceutical industry is certainly a field with a lot of failures, this risk is mitigated by substantial public investment in drug development, particularly for some of the most important drugs that become available. Large drug manufacturers have made substantial rates of returns over the last few decades, making them among the most consistently profitable sectors of the market. Included in those numbers are the healthy profits that these manufacturers make in other countries around the world where the governments negotiate drug prices. Trying to better understand what a fair rate of return would be under different drug development scenarios would be helpful in ensuring that there is sufficient incentive for private investment in drug development, while essential medications can still be fairly made available to the patients who need them and the substantial public investment in drug development can be adequately recognized.

I was deeply honored by the opportunity to address the Committee in May and am glad to continue discussing these issues, or others, with you.

Sincerely,

Aaron Kesselheim, M.D., J.D., M.P.H.