The Value and Cost of Medical Miracles

As one of the most research-intensive and science-driven industries in the world, California’s BioPharma companies are continually investing in new discoveries for medicines and devices that will revolutionize health care throughout the world.

These life-saving medicines are drastically improving the way health care is delivered by saving lives and reducing costly hospitalizations, doctor’s visits and invasive medical procedures.

“These innovative medications reduce the length of hospital stays so patients can return to the workforce sooner and avoid medical bankruptcies.”
Stacey L. Worthy
Director of Public Policy for the Aimed Alliance

The Cost of Innovation

The path to new treatments is neither quick nor easy and is only achieved through significant financial investment.

- It takes an average of 10 - 15 years at an investment of $1.2 billion to advance one potential new medicine from research concept to an FDA-approved treatment.

- Approximately ONE of every 5,000 - 10,000 new compounds becomes a new drug and makes it to market.

- Roughly 95 percent of candidates entering clinical trials will eventually fail, leaving many multi-million investments on the drawing board.
Drug Spending Unchanged for Over 50 Years

Prescription drug spending has remained consistent despite biopharmaceutical companies bringing more than 400 new medicines to patients over the past 15 years that treat a multitude of severe health conditions and diseases.

According to a 2014 federal report by the Centers for Medicare and Medicaid Services (CMS), retail prescription medicines will continue to account for less than 10 percent of total health care spending through 2023 – the same percentage as it was in 1960. This is because the price of newer, more costly medicines is offset by the number of cheaper generic drugs entering the market thus keeping prescription costs unchanged for generations of new treatments.

**Drug Pricing Considerations**

The calculations behind drug pricing are complicated but include some of the following factors:

- The number of patients who will utilize a drug before it goes generic
- The amount of time a drug progresses from research to market
- The severity of the health condition
- The potential profitability of the drug
- The costs of producing an FDA-approved treatment
- The costs associated with clinical trial failure
- The costs of alternative treatments or procedures
- Projected health insurance utilization
- Patient assistance costs
- Litigation and marketing costs
- The number of years that a drug will have market exclusivity
- Costs of past and future research

**Sources:**