

INVESTMENT PORTFOLIO

R&D Spending by U.S. Biopharmaceutical Companies Increases 3% in 2008

A new report reveals that R&D investment in new medicines by the biopharmaceutical industry was \$65.2 billion in 2008, an increase of 3% from 2007, according to a combined analysis conducted by Burrill & Company and PhRMA.

\$65.2 billion
in R&D spending
in 2008

PhRMA-member companies alone spent about \$50.3 billion on pharmaceutical R&D last year — up 5% from the 2007 total of \$47.9 billion in 2007, according to PhRMA. Burrill analysis shows that non-PhRMA pharmaceutical U.S. research companies spent about \$14.9 billion on R&D last year, compared with \$15.3 billion in 2007.

Today, there are more than 2,900 medicines in development in the U.S., including 750 compounds for cancer, 312 for heart disease and stroke, 150 for diabetes, 109 for HIV/AIDS, and 91 for Alzheimer's.

COMING TO AMERICA...

Biogeneric Update

A bipartisan bill that would bring generic biologics to Americans has been introduced by Energy and Commerce Chairman Henry Waxman (D-Calif.) and Health Subcommittee Chair Frank Pallone (D-N.J.). The Promoting Innovation and Access to Life Saving Medicines Act (HR 1427) has been introduced in the House of Representatives following years of debate over the establishment of an FDA-approval pathway for biogenerics.

The bill would grant generic biotech drug manufacturers regulatory approval if they demonstrate that there are "no clinically meaningful differences" between a generic and the existing biotech drug. The bill grants the FDA the authority to decide what kind of studies are necessary to determine the equivalence between the drugs and whether generics, also known as biosimilars, are interchangeable with the original. Additionally, the bill would grant the makers of original biotech drugs a five-year exclusivity period, plus an optional three-year extension for modified versions, and six months if the manufacturer conducts a pediatric study on the drug. The exclusivity period would be retroactive, meaning that if the bill becomes law, biotech drugs that were approved years ago would have generic rivals. The bill also would grant the first maker of a generic biotech drug six months of market exclusivity for its version of the treatment. A companion Senate bill is expected to be introduced by Sens. Charles Schumer (D-N.Y.) and Sherrod Brown (D-Ohio). Sens. Susan Collins (R-Maine) and David Vitter (R-La.) are expected to be key co-sponsors.

The average daily cost of a biologic product is about 22 times greater than a traditional drug. A 2008 economic study found that a U.S. biogenerics market would both promote competition and generate cost savings of about \$100 billion in the next 10 years.

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RX SPENDING

Consumers Spending Less on Prescription Drugs

Consumers say they are spending an estimated 3% less on prescription drugs this year versus last year thanks, in part, to the economic downturn, according to Kurt Salmon Associates' recent evaluation of more than 8,000 shoppers' opinions.

The decline is likely the result of a continued shift toward lower-cost generic drugs and an increasing number of consumers who are looking to save money by self-medicating or simply reducing overall drug consumption.

KSA's analysis suggests that retailers that can manage consumers' perceptions of price — as much as price itself — are the most likely to be successful in the prescription category, especially in the present economy.

Conducted in partnership with Prosper Inc., the




research includes more than three years' of consumer data and shows that:

- Prescription drug users are increasingly price sensitive. In January 2009, 20% of prescription drug consumers cited price as a reason for switching retailers, which is up from 16% in 2008.
- Retailers with a value orientation are winning the share war in this economy. Wal-Mart grew its customer base 9% over the past year.
- Despite the increasing importance of price perception, location remains the No. 1 reason why consumers choose a particular retailer for prescription drug purchases.

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