

GlaxoSmithKline CEO says new drugs can be cheaper

Improved R&D productivity can be passed on as lower prices

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The pharmaceutical industry should be able to charge less for new drugs in future by passing on efficiencies in research and development to its customers, according to the chief executive of GlaxoSmithKline Plc.

"It's not unrealistic to expect that new innovations ought to be priced at — or below, in some cases — the prices that have pre-existed them," Andrew Witty told a conference on healthcare in London.

"We haven't seen that in recent eras of the (pharmaceutical) industry but it is completely normal in other industries."

High prices for new medi-



Andrew Witty

cines, most notably in cancer care, are a growing challenge for healthcare providers, particularly in austerity-hit Europe where government budgets are under pressure.

Traditionally, drug companies have argued that premium

prices are needed to pay for the \$1-billion-plus cost of developing a single new medicine.

\$1-BILLION MYTH

But Witty said the \$1-billion price tag was "one of the great myths of the industry", as it was an average figure that includes money spent on drugs that ultimately fail.

In the case of GSK, a major revamp in the way research is conducted means the rate of return on R&D investment has increased by about 30 per cent in the past three or four years because fewer drugs have flopped in late-stage testing, he said.

"If you stop failing so often, you massively reduce the cost of drug development... it's why we

are beginning to be able to price lower," Witty said. "It's entirely achievable that we can improve the efficiency of the industry and pass that forward in terms of reduced prices."

The average cost of developing a new medicine, including failures, is now \$1.1 billion, according to a December study of R&D productivity among the world's 12 top drugmakers by Deloitte and Thomson Reuters.

WIDE VARIATIONS

But the performance of individual companies varies widely.

For the most successful company in the group studied, the average cost was just \$315 million, while at the other extreme one firm spent \$2.8 billion.