Drug prices may spark development of lower-cost alternatives

New high-cost therapies no doubt spark sticker shock in many quarters, but experts say they also will spark more innovation.

Kurt Rotthoff, an economist at Seton Hall University’s Stillman School of Business, said high costs historically create a competitive marketplace and spur the development of lower-cost solutions.

“The biggest thing we have to remember is that the high cost of any of these drugs creates the incentive for drug companies to continue coming out with new drugs,” he said. “So we can’t be too quick to say they charge too much.”

According to the trade group Pharmaceutical Research and Manufacturers of America, research and development spending by the pharmaceutical sector hit $65.3 billion in 2009, nearly triple the spend a decade earlier.

Part of the push toward increased R&D spending can be tied to the fact that the patents for several blockbuster drugs are set to expire this year, opening them up to generic competition.

Edward Abrahams, who heads the Washington, D.C.-based Personalized Medicine Coalition, said the so-called “patent cliff” is something of a harbinger of a wider shift going on in the world of pharmaceuticals.

“The products coming off patent are almost universally one-size-fits-all, because that’s what was created years ago and whose patents are now expiring,” he said. “The future of medicine is going to be a more targeted one.”

Abrahams, whose group advocates for policies that encourage the integration of personalized drugs into the health care system, said it makes business sense for drug companies to spend the money to develop personalized drugs, as demand for those treatments will only increase as patients and payers become more aware of the value targeted drugs can deliver.