The High Prices of Medicines Developed with Public Money

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The rising cost of medicines is a significant problem for health systems worldwide, and is also true for medicines developed with public money. From 2022 to 2023, increases in pharmaceutical spending in the European Union (EU) ranged from 4% in the Netherlands to 13% in Cyprus. The higher prices of medicines was one of the main causes for the rising costs. For example, in Austria, the cost per prescription in outpatient care has increased by 78% over the past 10 years.

The research and development (R&D) of medical products is a long, costly process, involving various stakeholders, different stages and significant resources. Public funding of R&D is significant, ranging from early research conducted in public institutions and universities, to funding for clinical trials, and subsidies and tax breaks for manufacturing and production. However, the current R&D system, centred around IP-based monopolies, enables a pharmaceutical business model that prioritises profits over public health needs, in which a return on investment of public funding is discounted. This can lead to the misuse and abuse of IP protection to extend market exclusivities allowing for excessively high prices, and worsening the shortages of medicines.

This policy brief highlights a few high-priced medicines that have been marketed over the last few years, which profited from a substantial amount of public money.

Recommendations:

1. There must be overall transparency on the exact R&D costs incurred by pharmaceutical companies.
2. There must be transparency of public money spent on R&D. This includes direct funding through research grants, awards and subsidities, and indirect support through tax incentives (e.g. credits and deductions); regulatory support (e.g. accelerated approval schemes), advanced market commitments and vouchers, and approval subsidies or fee reductions.
3. Access conditions must be included when IP related to products and processes developed with public funding is transferred or licensed to pharmaceutical companies.
4. Access conditions must be explicitly included in the contracts made between governments and grantees (public, private or private not-for-profit bodies, researchrse, pharmaceutical companies).
5. Along with transparency and accountability, technology transfer and knowledge sharing must be pillars of public return on public investment.
6. Technology sharing platforms, such as the World Health Organisation’s Health Technology Access Pool (HTAP), should engage with universities and vice versa for

effective technology transfer of publicly funded research.

7. Civil society should engage with universities (students and researchers) and their technology transfer offices to sensitise them on public return on public investment and the issue of access to medicines.
8. The use of voluntary licenses linked to products developed with public funds must be as wide as possible without geographical or income-based limitations.

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