

# HealthAffairs

At the Intersection of Health, Health Care and Policy

Cite this article as:  
Pricivel M. Carrera  
Incentives For Sustaining Innovation  
*Health Affairs*, 34, no.5 (2015):882-883

doi: 10.1377/hlthaff.2015.0280

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# LETTERS

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DOI: 10.1377/hlthaff.2015.0280

## Incentives For Sustaining Innovation

Incentives are imperative to encourage and sustain innovation in pharmaceutical research and development (R&D), which is a lengthy, risky, and costly process. Push and pull incentives have promoted drug pipelines leading to blockbuster drugs that rewarded pharmaceutical companies handsomely and nurtured investment in biologics precipitated by biotechnology companies, as noted by Ronald Evens and Kenneth Kaitin (Feb 2015). These incentives will remain in place, although Ernst Berndt and coauthors (Feb 2015) express alarm about the future of pharmaceutical innovation, given the decreasing economic profits and increasing economic costs faced by pharmaceutical companies in recent years.

It should be noted that the increased economic costs of pharmaceutical companies include financial criminal and civil penalties levied by regulators.<sup>1</sup> Tens of billions of dollars for illegal promo-

tion or illegally overcharging government programs for drugs (which may or may not have been taken into account in Berndt and coauthors' calculations of "after-tax R&D costs, including pre- and postapproval expenditures") are treated as part of the cost of doing business, much like a failed clinical trial.

But they are not one and the same. Dollars lost to failed drug R&D do not make for economic waste, as dollars lost to criminal and civil penalties do. To sustain innovation, we need to think more about the right incentives.<sup>2</sup> We also need to ask what pharmaceutical companies are doing to make their investments in innovation deliver sustainable returns.

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### NOTES

- 1 Wolfe SM. Escalating criminal and civil violations: pharma has corporate integrity? Not really. *BMJ*. 2013;347:f7507.
- 2 Carrera PM, Laudicella M. Competitive healthcare and the elderly: handle with care. *Maturitas*. 2014; 78(3):151-2.