Drug Pricing Investigation

Industry Spending on Buybacks, Dividends, and Executive Compensation

Staff Report
Committee on Oversight and Reform
U.S. House of Representatives
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EXECUTIVE SUMMARY

On January 14, 2019, the House Committee on Oversight and Reform launched a comprehensive investigation into pharmaceutical pricing and business practices. The Committee has released six staff reports describing the findings of its investigation. These reports have shown that the pharmaceutical industry has targeted the United States for price increases for many years, while cutting prices in the rest of the world. The United States is particularly vulnerable to these pricing tactics because current law prohibits Medicare from negotiating directly with drug companies to lower drug prices.

H.R. 3, the Elijah E. Cummings Lower Drug Prices Now Act, would address many of the findings in the Committee's staff reports by empowering Medicare to negotiate directly with drug companies to lower prices. The Congressional Budget Office estimates that H.R. 3's negotiation provisions would save taxpayers $456 billion over ten years.[1]

Today, the Committee is issuing its seventh staff report, which analyzes financial data of the 14 largest drug companies in the world to evaluate the amount they spend to enrich investors and executives, the amount they invest to research and develop new treatments, and the potential impact of direct Medicare price negotiations.

This report shows that leading drug companies have spent more on stock buybacks, dividends to investors, and executive compensation than on research and development (R&D).[2] This analysis also reveals that drug companies' claims that reducing U.S. prescription drug prices will harm innovation is overblown. The report indicates that even if the pharmaceutical industry collected less revenue due to pricing reforms such as H.R. 3, drug companies could maintain or even exceed their current R&D expenditures if they reduced spending on buybacks and dividends.

Specifically, the Committee's analysis shows:

- From 2016 to 2020, the 14 leading drug companies spent $577 billion on stock buybacks and dividends—$56 billion more than they spent on R&D over the same period.

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[1] Congressional Budget Office, *Budgetary Effects of H.R. 3, the Elijah E. Cummings Lower Drug Costs Now Act* (Dec. 10, 2019) (online at www.cbo.gov/system/files/2019-12/hr3_complete.pdf). Under H.R. 3, the Department of Health and Human Services would be able to negotiate fair prices for the Medicare program for the 125 single-source, brand-name drugs that account for the greatest net spending under Medicare Part D or more broadly across the United States. The lower drug prices negotiated by Medicare would also be available to Americans with private insurance. H.R. 3 would also reduce annual out-of-pocket drug costs for Medicare beneficiaries. H.R. 3, 117th Cong. (2021).

[2] A stock buyback is when a company purchases its shares from the marketplace with its accumulated cash. The effect of a stock buyback is to reduce the number of the company's outstanding shares in the market, which increases the relative ownership interest of each investor. A dividend is a cash distribution of a company's earnings back to investors.

- Assuming the same rate of spending, these 14 companies are projected to spend $1.15 trillion on buybacks and dividends from 2020 through 2029. This is more than twice the amount the Congressional Budget Office projected would be saved by H.R. 3 over the same period.

- Among the 14 companies examined, the eight U.S. companies spent even less on R&D compared to buybacks and dividends. One company, Amgen, spent nearly six times as much on buybacks, dividends, and executive compensation as it did on R&D in 2018.

- From 2016 to 2020, compensation for the 14 companies' top executives totaled $3.2 billion, with annual compensation growing by 14% over that five-year period. Some companies paid their CEOs tens of millions of dollars as they raised prices on drugs relied on by millions of Americans.

- Many drug companies spent a significant portion of their R&D budget on finding ways to suppress generic and biosimilar competition while continuing to raise prices, rather than on innovative research.

I. FINDINGS

The Committee's review of financial data for 14 of the largest drug companies in the world found that over the past five years, these companies spent more on stock buybacks, dividends, and compensation than they spent on R&D.[3] Assuming the same rate of spending on buybacks and dividends over the next ten years, these 14 companies are projected to spend $1.15 trillion on buybacks and dividends from 2020 to 2029—more than twice the amount the Congressional Budget Office estimates would be saved by H.R. 3 over the same period by reducing drug prices for Medicare and the commercial market. The Committee's drug pricing investigation has also revealed that spending that drug companies describe as R&D is often designed to suppress generic competition to maintain monopoly prices.

A. Pharmaceutical Industry Spending on Buybacks and Dividends Exceeded Spending on R&D and Projected Savings Under H.R. 3

From 2016 to 2020, the 14 companies examined spent over $577 billion on stock buybacks and dividends for investors, $56 billion more than they spent on R&D. Figure 1, below, highlights the drug companies' aggregate expenditures across each category.[4]

[3] This report was compiled with information from annual reports, proxy statements, and other documents from AbbVie, Amgen, AstraZeneca, Bristol Myers Squibb, Eli Lilly, Gilead, GlaxoSmithKline, Johnson & Johnson, Merck, Novartis, Novo Nordisk, Pfizer, Roche, and Sanofi. These 14 companies were the largest pharmaceutical companies by market capitalization in Q1 2021. *Q1 2021: A Look at Biopharma's Top 25 Companies by Market Cap*, BioSpace (May 3, 2021) (online at www.biospace.com/article/q1-2021-an-in-depth-look-at-biopharma-s-top-25-/).

[4] AbbVie Forms 14A and 10K, 2017–2021; Pfizer Forms 14A and 10K, 2017–2021; Gilead Forms 14A and 10K, 2017–2021; Eli Lilly Forms 14A and 10K, 2017–2021; GlaxoSmithKline Form 20F, 2017–2021; Johnson & Johnson Forms 14A and 10K, 2017–2021; Novartis Form 20F, 2018–2021; Merck Forms 14A and 10K, 2017–2021; AstraZeneca Form 20F, 2017–2021; Bristol Myers Squibb Forms 14A and 10K, 2017–2021; Sanofi Form 20F, 2018–2021; Novo Nordisk Form 20F, 2017–2021; Amgen Forms 14A and 10K, 2017–2021; Roche Annual Report, 2016–2020. *See* Securities and Exchange Commission, Electronic Data Gathering, Analysis, and Retrieval (EDGAR) System (online at www.sec.gov/edgar.shtml) (accessed July 2, 2021). To calculate these figures for foreign companies, Committee staff used current exchange rates.

Figure 1: Pharmaceutical Industry Expenditures

	Buybacks ($M)	Dividends ($M)	Total Buybacks & Dividends ($M)	R&D Expenditures ($M)
2016	$45,193	$67,614	$112,806	$92,034
2017	$34,401	$67,338	$101,740	$96,392
2018	$70,162	$70,918	$141,080	$104,585
2019	$50,168	$73,553	$123,721	$107,573
2020	$19,104	$79,463	$98,567	$121,233
Total (2016-2020)	$219,028	$358,886	$577,914	$521,817

Four of these companies—AbbVie, Johnson & Johnson, Novo Nordisk, and Amgen—had buyback and dividend expenditures that exceeded R&D expenditures in each of the past five years. Two other companies—Pfizer and Novartis—spent more on buybacks and dividends than on R&D for four out of the last five years.[5] Of the other companies the Committee examined, only AstraZeneca and Roche spent more on R&D than on buybacks and dividends every year from 2016 through 2020.[6]

The disproportionate spending on buybacks and dividends was particularly apparent for Novo Nordisk and Amgen. As shown in Figure 2 below, Novo Nordisk spent approximately twice as much on buybacks and dividends in each of the years examined as it did on R&D.[7]

[5] AbbVie Forms 14A and 10K, 2017–2021; Pfizer Forms 14A and 10K, 2017–2021; Johnson & Johnson Forms 14A and 10K, 2017–2021; Novartis Form 20F, 2018–2021; Novo Nordisk Form 20F, 2017–2021; Amgen Forms 14A and 10K, 2017–2021. *See* Securities and Exchange Commission, Electronic Data Gathering, Analysis, and Retrieval (EDGAR) System (online at www.sec.gov/edgar.shtml) (accessed July 2, 2021).

[6] AstraZeneca Form 20F, 2017–2021; Roche Annual Report, 2016–2020. *See* Securities and Exchange Commission, Electronic Data Gathering, Analysis, and Retrieval (EDGAR) System (online at www.sec.gov/edgar.shtml) (accessed July 2, 2021).

[7] Novo Nordisk Form 20F, 2017–2021. *See* Securities and Exchange Commission, Electronic Data Gathering, Analysis, and Retrieval (EDGAR) System (online at www.sec.gov/edgar.shtml) (accessed July 2, 2021).

Figure 2: Novo Nordisk Expenditures ($M)

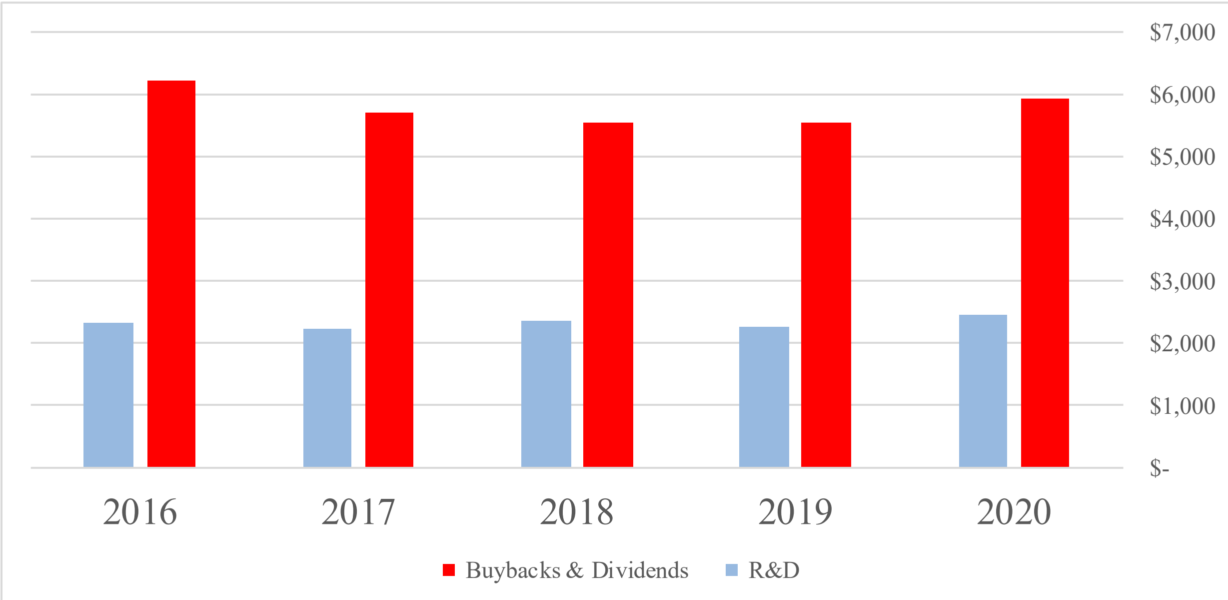
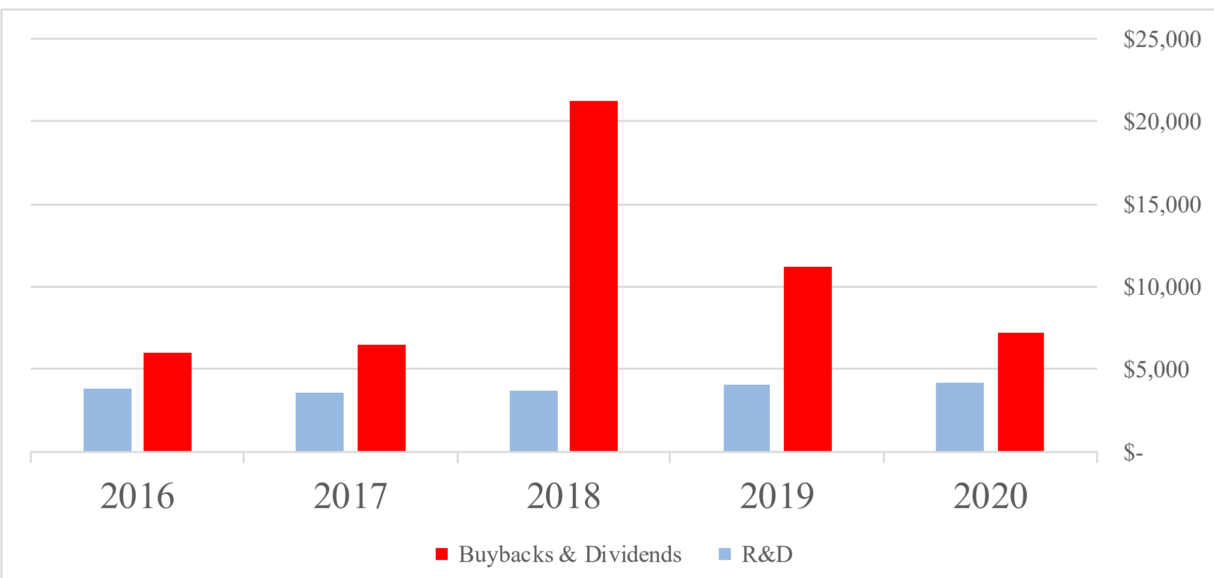


Figure 3 below shows that, in 2018, Amgen spent over five times more on stock buybacks and dividends than it spent on R&D.[8]

Figure 3: Amgen Expenditures ($M)



Of the 14 companies the Committee reviewed, the eight U.S.-based drug companies spent a greater proportion of their expenditures on buybacks and dividends as compared to their

[8] Amgen Forms 10K and 14A, 2018. *See* Securities and Exchange Commission, Electronic Data Gathering, Analysis, and Retrieval (EDGAR) System (online at www.sec.gov/edgar.shtml) (accessed July 2, 2021).

foreign peers.[9] Overall, the 14 companies spent an average of 10% more on buybacks and dividends than on R&D from 2016 to 2020, but the eight U.S.-based companies spent on average over 24% more on buybacks and dividends than on R&D.[10]

Assuming the same rate of spending, these 14 leading drug companies are projected to spend $1.15 trillion on buybacks and dividends from 2020 through 2029. This is more than double the $456 billion that the Congressional Budget Office has projected would be saved industrywide by H.R. 3's price negotiation provisions through reduced drug prices and lower spending over the same period.[11]

The Committee's review indicates that even if the pharmaceutical industry collected less revenue due to pricing reforms such as H.R. 3, drug companies could maintain or even exceed their current R&D expenditures if they reduced spending on buybacks and dividends.

B. <u>Industry Spending on Executive Compensation Has Increased</u>

The Committee's review of financial data for 14 of the largest drug companies also found that these companies spent over $3.2 billion in aggregate executive compensation for their highest paid executives in the past five years. From 2016 to 2020, these drug companies increased executive compensation spending by 14%. Figure 4 below shows spending on executive compensation from 2016 to 2020.

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[9] AbbVie Forms 14A and 10K, 2017–2021; Pfizer Forms 14A and 10K, 2017–2021; Gilead Forms 14A and 10K, 2017–2021; Eli Lilly Forms 14A and 10K, 2017–2021; GlaxoSmithKline Form 20F, 2017–2021; Johnson & Johnson Forms 14A and 10K, 2017–2021; Novartis Form 20F, 2018–2021; Merck Forms 14A and 10K, 2017–2021; AstraZeneca Form 20F, 2017–2021; Bristol Myers Squibb Forms 14A and 10K, 2017–2021; Sanofi Form 20F, 2018–2021; Novo Nordisk Form 20F, 2017–2021; Amgen Forms 14A and 10K, 2017–2021; Roche Annual Report, 2016–2020. *See* Securities and Exchange Commission, Electronic Data Gathering, Analysis, and Retrieval (EDGAR) System (online at www.sec.gov/edgar.shtml) (accessed July 2, 2021).

[10] *Id.* The eight U.S. companies are AbbVie, Amgen, Bristol Myers Squibb, Eli Lilly, Gilead, Johnson & Johnson, Merck, and Pfizer.

[11] Congressional Budget Office, *Budgetary Effects of H.R. 3, the Elijah E. Cummings Lower Drug Costs Now Act* (Dec. 10, 2019) (online at www.cbo.gov/system/files/2019-12/hr3_complete.pdf).

Figure 4: Executive Compensation Expenditures, 2016–2020[12]

Company	2016	2017	2018	2019	2020	Total
J&J	$ 69,739,338	$ 91,654,916	$ 65,409,357	$ 67,447,920	$ 81,369,452	**$ 375,620,983**
AbbVie	$ 60,882,843	$ 70,379,456	$ 62,100,858	$ 69,440,776	$ 84,893,480	**$ 347,697,413**
Novartis	$ 59,907,420	$ 51,795,638	$ 72,292,820	$ 72,475,721	$ 64,113,595	**$ 320,585,194**
Pfizer	$ 49,509,982	$ 64,225,035	$ 50,735,513	$ 63,848,586	$ 59,431,930	**$ 287,751,046**
Gilead	$ 46,580,305	$ 45,862,463	$ 54,824,163	$ 78,212,141	$ 45,465,167	**$ 270,944,239**
Amgen	$ 42,667,038	$ 39,889,202	$ 64,081,235	$ 46,720,094	$ 47,079,177	**$ 240,436,746**
Merck	$ 49,006,321	$ 43,083,221	$ 46,352,678	$ 55,063,330	$ 46,255,317	**$ 239,760,867**
BMS	$ 39,406,765	$ 47,749,197	$ 44,678,841	$ 58,455,527	$ 48,354,847	**$ 238,645,177**
Roche	$ 52,735,678	$ 50,075,449	$ 46,214,623	$ 44,695,136	$ 41,027,644	**$ 234,748,530**
Eli Lilly	$ 42,744,525	$ 47,004,080	$ 43,440,949	$ 49,965,840	$ 50,860,365	**$ 234,015,759**
AstraZeneca	$ 26,286,240	$ 21,214,740	$ 25,794,960	$ 31,363,260	$ 31,947,000	**$ 136,606,200**
NovoNordisk	$ 15,520,000	$ 15,040,000	$ 29,184,000	$ 34,160,000	$ 34,880,000	**$ 128,784,000**
GSK	$ 22,633,380	$ 20,969,100	$ 24,746,160	$ 23,683,560	$ 27,960,180	**$ 119,992,380**
Sanofi	$ 12,234,790	$ 12,345,952	$ 9,421,573	$ 14,874,222	$ 14,335,887	**$ 63,212,424**
Total	**$ 589,854,625**	**$ 621,288,449**	**$ 639,277,730**	**$ 710,406,113**	**$ 677,974,041**	**$3,238,800,958**

The Committee's analysis found that some drug companies paid multimillion-dollar compensation packages to top executives while raising prices on drugs relied on by millions of Americans. For example, Johnson & Johnson paid Chief Executive Officer (CEO) Alex Gorsky nearly $75 million from 2018 to 2020,[13] and AbbVie paid CEO Richard Gonzalez over $66 million from 2018 to 2020.[14] Over the same period, Johnson & Johnson and AbbVie raised the price of their co-promoted blockbuster cancer drug Imbruvica by 14%.[15]

[12] AbbVie Forms 14A and 10K, 2017–2021; Pfizer Forms 14A and 10K, 2017–2021; Gilead Forms 14A and 10K, 2017–2021; Eli Lilly Forms 14A and 10K, 2017–2021; GlaxoSmithKline Form 20F, 2017–2021; Johnson & Johnson Forms 14A and 10K, 2017–2021; Novartis Form 20F, 2018–2021; Merck Forms 14A and 10K, 2017–2021; AstraZeneca Form 20F, 2017–2021; Bristol Myers Squibb Forms 14A and 10K, 2017–2021; Sanofi Form 20F, 2018–2021; Novo Nordisk Form 20F, 2017–2021; Amgen Forms 14A and 10K, 2017–2021; Roche Annual Report, 2016–2020. *See* Securities and Exchange Commission, Electronic Data Gathering, Analysis, and Retrieval (EDGAR) System (online at www.sec.gov/edgar.shtml) (accessed July 2, 2021). To calculate these figures for foreign companies, Committee staff used current exchange rates.

[13] Johnson & Johnson Form 14A, 2021. *See* Securities and Exchange Commission, Electronic Data Gathering, Analysis, and Retrieval (EDGAR) System (online at www.sec.gov/edgar.shtml) (accessed July 2, 2021).

[14] AbbVie Form 14A, 2021. *See* Securities and Exchange Commission, Electronic Data Gathering, Analysis, and Retrieval (EDGAR) System (online at www.sec.gov/edgar.shtml) (accessed July 2, 2021).

[15] IBM Micromedex Redbook, *Wholesale Acquisition Cost for Imbruvica*.

The Committee's investigation found that price increases on certain brand-name drugs led directly to higher bonuses for executives. For example, Celgene paid its top executives millions of dollars in salaries and bonuses as they repeatedly increased the price of the cancer drug Revlimid.[16] Between 2006 and 2018, Celgene paid its top executives over $450 million in compensation.[17] Internal company data show that Celgene's executives would not have met several annual bonus targets if not for their decision to increase the U.S. price for Revlimid. Based on the Committee's analysis, Celgene's U.S. price increases on Revlimid in 2016 and 2017 enabled executives to reach their bonus targets and accounted for more than $2 million in additional bonuses for Celgene's senior executives in those years.[18]

AbbVie also tied executive compensation to raising U.S. drug prices. Since 2013, AbbVie has paid its highest-ranking executives over $480 million in compensation.[19] The Committee's investigation revealed that AbbVie incentivized its executives to raise the price of its top-selling drug Humira. In particular, the company tied bonuses directly to Humira net-revenue targets, which increased year after year.[20] The first year this net-revenue incentive was added to the calculation coincided with the highest period of price increases in Humira's history—over 30% in a ten-month period.[21]

These findings show that drug company executives are incentivized to raise drug prices in the United States through bonus structures that increase revenue targets year after year. These executives publicly justify price increases as being necessary to fund R&D, but the Committee's investigation shows that a significant portion of drug company revenues are being funneled to shareholders and executives in the form of buybacks, dividends, and executive compensation.

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[16] Bristol Myers Squibb acquired Celgene in November 2019. Bristol Myers Squibb, *Press Release: Bristol-Myers Squibb Completes Acquisition of Celgene, Creating a Leading Biopharma Company* (Nov. 20, 2019) (online at https://news.bms.com/news/corporate-financial/2019/Bristol-Myers-Squibb-Completes-Acquisition-of-Celgene-Creating-a-Leading-Biopharma-Company/default.aspx).

[17] Committee staff calculated this figure using the Summary Compensation tables from Celgene's annual SEC filings between 2006 and 2017. *See* Celgene, *Proxy Statements* (2006–2018) (online at www.sec.gov/cgi-bin/browse-edgar?CIK=816284).

[18] Committee on Oversight and Reform, *Drug Pricing Investigation: Celgene and Bristol Myers Squibb—Revlimid* (Sept. 2020) (online at https://oversight.house.gov/sites/democrats.oversight.house.gov/files/Celgene%20BMS%20Staff%20Report%2009-30-2020.pdf).

[19] Committee staff calculated this figure using the Summary Compensation tables from AbbVie's annual SEC filings between 2013 and 2021. *See* AbbVie Inc., *Proxy Statements* (2013–2021) (online at www.sec.gov/cgi-bin/browse-edgar?CIK=1551152).

[20] Committee on Oversight and Reform, *Drug Pricing Investigation: AbbVie—Humira and Imbruvica* (May 2021) (online at https://oversight.house.gov/sites/democrats.oversight.house.gov/files/Committee%20on%20Oversight%20and%20Reform%20-%20AbbVie%20Staff%20Report.pdf).

[21] *See* AbbVie Inc., *Proxy Statements* (2013–2020) (online at www.sec.gov/cgi-bin/browse-edgar?CIK=1551152) and IBM Micromedex Redbook, *Wholesale Acquisition Cost for Humira*.

C. Research and Development Expenditures Do Not Justify Price Increases

The Committee's investigation has also revealed that even when drug companies invest in R&D, many of these expenditures are focused on suppressing generic competition and extending the high prices charged in the United States for top-selling drugs, rather than developing innovative new treatments. The investigation also found that drug companies targeted the United States for price increases in part due to Medicare's inability to negotiate for lower prices.

AbbVie — Humira

AbbVie sells Humira, which is used to treat rheumatoid arthritis and other autoimmune diseases. In the United States, the company has set a price of approximately $77,000 for a year's supply of Humira—470% more than when the drug was launched in 2003.[22] In part due to these price increases, Humira is the highest grossing drug in the world. In 2020 alone, AbbVie collected $16 billion in U.S. net revenue for Humira.[23]

The Committee's investigation of AbbVie revealed, among other findings:

- **R&D Costs Dwarfed by Revenue:** AbbVie's total research and development expenditures for Humira represent only a small fraction of its net revenue from this drug. In response to the Committee's request, AbbVie identified a total of $5.19 billion in "Humira Research & Development" between 2009 and 2018—approximately 7.4% of its Humira U.S. net revenue and 4.2% of its Humira worldwide net revenue over that period.[24]

- **Anticompetitive R&D:** AbbVie's internal documents show that a large portion of AbbVie's research expenditures on Humira were dedicated to extending the company's market monopoly by limiting biosimilar competition through "enhancements" to Humira. An internal presentation emphasized that one objective of the "enhancement" strategy was to "raise barriers to competitor ability to replicate." AbbVie's enhancement's strategy was successful, helping the company obtain or file for hundreds of patents on Humira that will delay competition from any lower-priced biosimilars in the U.S. until at least 2023 and will likely hamper optimal competition in the Humira market for longer due to AbbVie's efforts to transition the market to a newer formulation of the drug.

[22] IBM Micromedex Redbook, *Wholesale Acquisition Cost for Humira.* The annual calculation is for a patient that injects Humira every other week.

[23] AbbVie, *2020 Form 10-K Annual Report* (Feb. 19, 2021) (online at https://investors.abbvie.com/sec-filings/sec-filing/10-k/0001551152-21-000008).

[24] Committee on Oversight and Reform, *Drug Pricing Investigation: AbbVie—Humira and Imbruvica* (May 2021) (online at https://oversight.house.gov/sites/democrats.oversight.house.gov/files/Committee%20on%20Oversight%20and%20Reform%20-%20AbbVie%20Staff%20Report.pdf).

According to AbbVie's internal analysis, delayed competition until 2023 will cost the U.S. health care system at least $19 billion.[25]

- **<u>Lost Medicare Savings</u>:** According to AbbVie's internal data, the company collected nearly $10 billion in Humira net revenue from Medicare Part D between 2010 and 2018. If Medicare had received the same discounts during that period as the Department of Defense (DOD)—which is permitted to negotiate directly for lower prices—taxpayers would have saved $7.4 billion. Similarly, if Medicare had received the same discounts during that period as the Department of Veterans Affairs (VA), taxpayers would have saved $7 billion.[26]

Celgene and Bristol Myers Squibb — Revlimid

From 2005 to 2019, Celgene was the sole U.S. manufacturer of Revlimid. In November 2019, Bristol Myers Squibb acquired Celgene and, along with it, the rights to Revlimid. In the United States, the company charges $16,744 for a monthly course of Revlimid—more than triple the 2005 price.[27]

The Committee's investigation of Celgene and Bristol Myers Squibb reveals the extent to which the industry relies upon taxpayer-funded research to develop its drugs and drive its R&D decisions. The investigation also found that the companies targeted the United States for price increases:

- **<u>Targeting the U.S. for Higher Prices</u>:** In internal documents, Celgene highlighted that the U.S. government is prohibited from negotiating directly to lower prices for Medicare beneficiaries. With the federal government unable to negotiate, Celgene targeted the U.S. market for price increases while maintaining or cutting prices for the rest of the world. One presentation described the U.S. as a "highly favorable environment with free-market pricing."[28]

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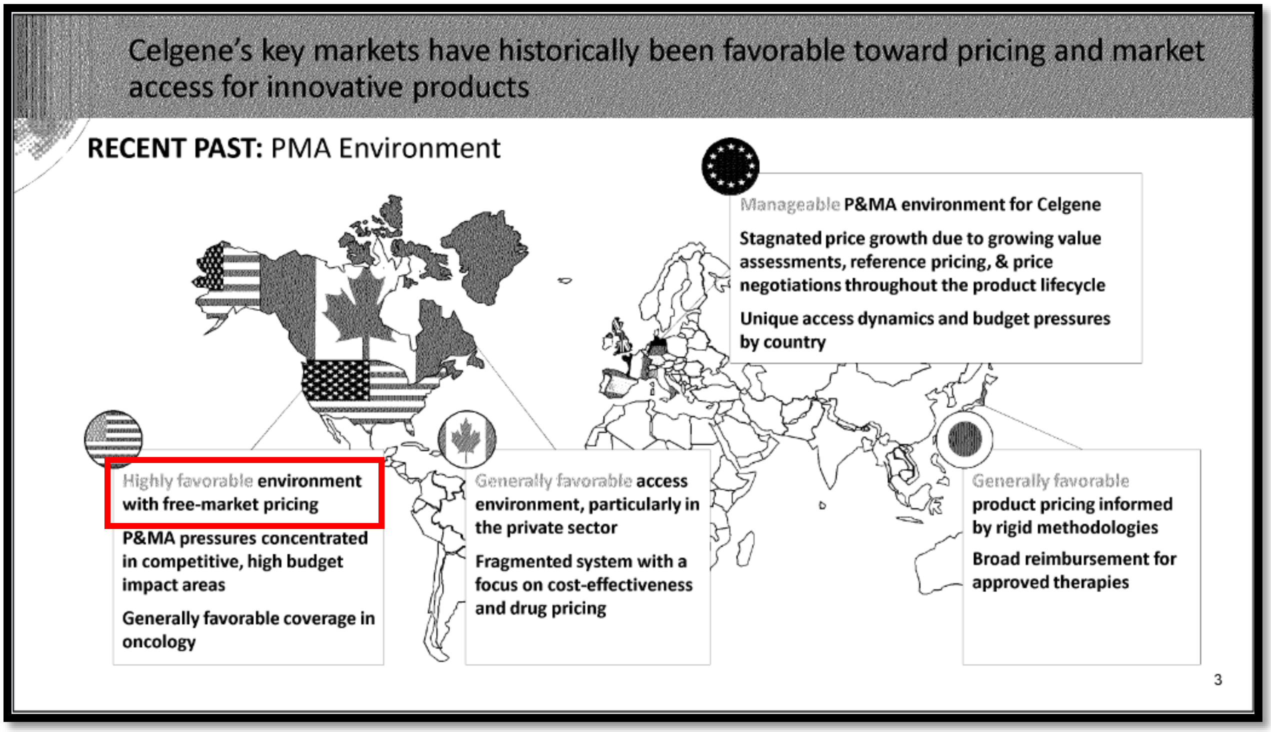
[25] *Id.*

[26] *Id.*

[27] IBM Micromedex Redbook, *Wholesale Acquisition Cost for Revlimid*.

[28] Committee on Oversight and Reform, *Drug Pricing Investigation: Celgene and Bristol Myers Squibb—Revlimid* (Sept. 2020) (online at https://oversight.house.gov/sites/democrats.oversight.house.gov/files/Celgene%20BMS%20Staff%20Report%2009-30-2020.pdf).



- **<u>Costs to Medicare</u>:** Medicare's inability to negotiate directly for a lower price of Revlimid has placed a significant burden on the U.S. health care system and cost taxpayers billions of dollars. From 2010 to 2018, Celgene collected $17.5 billion from Medicare Part D. In 2018 alone, Medicare Part D plans and beneficiaries spent more than $4 billion on Revlimid—the second-highest expenditure for any drug that year.[29]

- **<u>Higher Prices Used to Block Cancer Research</u>:** Celgene relied heavily on taxpayer-funded research to develop Revlimid, yet internal documents indicate that Celgene may have leveraged the high price of Revlimid to inhibit other companies' cancer research. In discussions about another company that had clinical trials requiring the purchase of Revlimid, one Celgene executive wrote, "Making them spend a lot more on their trials puts financial constraints on their ability to simultaneously fund lots of trials." Another executive agreed, writing, "Anything we can do to hamper their development would help."[30]

II. CONCLUSION

The pharmaceutical industry's argument that permitting Medicare to negotiate drug prices would stifle innovation is not supported by available evidence or findings from the Committee's multi-year investigation into the pharmaceutical industry. The world's leading drug companies spend more on stock buybacks, dividends, and executive compensation than

[29] *Id.*

[30] *Id.*

they spend on R&D. These companies are also projected to spend significantly more on buybacks and dividends from 2020 through 2029 than would be saved by lowering prices under H.R. 3. This finding indicates that drug companies could maintain or even increase R&D spending under H.R. 3 if they spent less on enriching shareholders and executives.

The pharmaceutical industry has long prioritized boosting payouts to investors and executives rather than funding innovative R&D. They have done so by targeting U.S. patients for price increases while other countries took steps to reduce prices for their own citizens. Allowing Medicare to directly negotiate drug pricing would help put an end to the industry's abusive pricing practices and move our country towards a more sustainable drug pricing system.