

Dear colleagues,

New medicines play a crucial role in our efforts in Europe to increase the number of years people enjoy good health. New medicines could offer prospects for patients who currently have no hope of treatment. New medicines that have fewer side effects or are easier to administer could improve quality of life. And, in exceptional cases, the latest cell or gene therapies, for instance, could give patients with previously incurable diseases a chance of full recovery.

This means that the importance of drug development itself is rarely questioned. Instead, we are much more likely to ask: which research should be done *first*? How do we assess whether or not a certain drug is effective? What price are we prepared to pay for a new medicine and how does this price compare to the expected health gains or development costs?

To answer these questions we must know how medicines are developed – not only how the research is done and how the science works, but also how research is financed. Drug development is a complex – and therefore expensive – process. The risks of failure are considerable too: only 1 in 30 candidate drugs makes it to the end of the development process yet, despite this, the scale of investment is huge. Every year, private and public parties invest some \$300 billion in drug development, because it pays to do so. Pharmaceuticals are a highly lucrative industry. Double-digit profit margins are often the norm. This is an uncomfortable observation, which raises the question of how these profits relate to the public interest.

To gain insight into how drug development is financed, I commissioned a comprehensive international study whose findings I am sharing today with the Dutch parliament. I am also making the final report available to the general public. This is because I believe it is important to have transparency on how drug research is financed, and how financing and investors' choices influence which medicines are developed. I want to initiate a debate on this topic on the basis of this report. The challenge facing us is to link up investors' financial interests with the interests of society at large. We all use and pay for these new medicines and in these roles it is everyone's task to steer this debate.

Private parties play a key role in the development of new drugs, with their knowledge, expertise and ambition as well as their investments. The report shows that this has major consequences for the medicines that reach users. Projected financial return is one of the main factors affecting whether or not a new drug completes all the development stages until it is ready for patients. There is a relationship between investors' behaviour and their estimate of how willing governments and insurers will be to pay for a new drug.

I see this as a clear signal, and a task for everyone who uses and pays for medicines. Are we being clear enough about which medicines we are prepared to pay for? Because, when all is said and done, we are the ones who pay for all new medicines through taxes and health insurance premiums.

Let me illustrate this with an example. Currently, we are more willing to pay for medicines that save or prolong lives than for medicines that improve quality of life. But does this investment of our health budget also result in the greatest health gains for society?

I would like to discuss three concrete issues with you:

1. Can we send out a clear, joint message which medicines would have the greatest health gains for society and what we would be prepared to pay for such medicines?
2. How can we use public research funding more strategically, so that we have more influence on which medicines are being developed for which diseases?
3. Drug research is always costly, but it could perhaps be done more efficiently. To what extent does our high willingness to pay maintain an inefficient system?

The reason we should work together on this issue as international partners is that diseases are not specific to countries and research is too expensive for one country to do alone. But I'm aware that we also need to have this conversation with the relevant private parties, in view of their crucial

role. Developing a new drug is a process that can take up to 10 years. So we need to delineate a clear playing field; to stimulate innovation and investment, and avoid creating uncertainty that scares private parties away.

My invitation to engage in dialogue is a start. In the years ahead, I will work in the Netherlands and at European level to move this societal discussion forward and to identify which new medicines will have the greatest health gains.

Thanks to smart investment strategies, the pharmaceutical industry is still one of the most lucrative industries in the world. So let's send a clear message about what we're willing to pay, and, even more importantly, what we're willing to pay for.

Yours faithfully,

Ernst Kuipers  
Minister of Health, Welfare and Sport