

NEW YORK PHARMA FORUM PROGRAM

TUESDAY, APRIL 2, 2002

SPEAKER: Frank R. Lichtenberg, Ph.D., Professor,
Columbia University Graduate School of Business

TOPIC: “Benefits and Costs of Pharmaceutical Innovation”

The replacement of older drugs by newer drugs is proven to be the single most important reason for the dramatic increase in the national expenditure on prescription drugs. However, how much of the difference between new and old drug prices reflects changes in quality as better, newer drugs replace older, less effective medications was never measured until Dr. Lichtenberg analyzed data from the 1996 Medical Expenditure Panel Survey. He has also conducted a research to demonstrate that the medical expenditure needed to gain one life-year is about \$11,000, and the pharmaceutical R&D expenditure needed to gain one life-year is about \$1,345. This is a great contrast to findings by previous researchers that the average value of a life-year is approximately \$150,000.

Dr. Lichtenberg, Courtney C. Brown Professor of Business at the Columbia University Graduate School of Business, and a Research Associate of the National Bureau of Economic Research, will discuss at this program various benefits and costs of pharmaceutical innovations, based on his research.

Dr. Lichtenberg previously taught at Harvard University and the University of Pennsylvania. He has been a visiting scholar at universities in Germany and elsewhere. Dr. Lichtenberg has also worked for several U.S. government agencies, served as an econometrics expert for the Federal Trade Commission, and testified before Congress. Most recently he has performed studies of the impact of pharmaceutical innovation on mortality rates. His articles have been published in numerous scholarly journals and in the popular press. He was a winner of the 1998 Schumpeter Prize for the paper, *Pharmaceutical Innovation as a Process of Creative Destruction*.