



Bentley Researchers Say Govt. Price Controls Wouldn't Hurt Innovation

By [John Wilkerson](#)
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Contrary to [Congressional Budget Office projections](#), Bentley University researchers say government drug price controls would not hurt innovation.

Fred Ledley, the director of the Center for Integration of Science and Industry at Bentley University, said there is no evidence that prices are related to research and development spending. Companies can either increase revenue by raising prices or by introducing new products, so when prices are constrained, it pressures companies to spend more on developing new products.

Bentley researchers examined the historical relationship between revenue changes and R&D spending by public biopharmaceutical companies from 2000 to 2018. They divided industry into companies with market capitalization greater than and less than \$7 billion.

For the 78 large companies, R&D spending fell with revenue, but that wasn't the case for the 1,300 small companies, which sponsor about 60% of clinical trials for new drugs and for the past five years have been responsible for 40% of new drug approvals.

The research showed reductions in R&D spending by big companies is mitigated by big companies buying, or investing in, the small companies that are doing most of the research. Small company buyout amounts are rising fast, but when big companies buy small companies to acquire products in development, that doesn't count as R&D, and CBO research on the impact of price controls on innovation missed that point, Ledley said.

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