

Forbes Calculates Average Drug Development Cost at \$4-\$11 Billion

By [Donald Zuhn](#) -- February 15, 2012

Forbes

Last week, *Forbes* reported that the development costs for an average drug (produced by a major pharmaceutical company) are at least \$4 billion, and as much as \$11 billion ("[The Truly Staggering Cost Of Inventing New Drugs](#)"). The article, by *Forbes* science and medicine

writer Matthew Herper, notes that the drug industry pegs average drug development costs at \$1 billion, and that Bernard Munos of the InnoThink Center for Research In Biomedical Innovation, adjusting for current failure rates, arrives at an estimate of \$4 billion. Seeking a more rigorous estimate, Mr. Herper and *Forbes* writer Scott DeCarlo combined Mr. Munos' drug approval counts with the research and development spending for a dozen major pharmaceutical companies, as reported in annual earnings filings over the past fifteen years (pulled from a Thomson Reuters database using FactSet), and adjusted the resulting figures for inflation. Their calculations showed that of the twelve pharma companies, AstraZeneca spent the most R&D money per approved drug (nearly \$11.8 billion) and Amgen spent the least (almost \$3.7 billion). The other companies on *Forbes'* list were Novartis, Bristol-Myers Squibb, Merck, Abbott Laboratories, Eli Lilly, Johnson & Johnson, Pfizer, Roche, Sanofi, and GlaxoSmithKline. The number of drug approvals, R&D spending per drug approval, and total R&D spending for each of the above companies can be found in the [Forbes article](#).

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