The Daily Dish

Let’s Talk Drugs

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On the air, that is. Now, to be clear, Eakinomics hates direct-to-consumer (DTC) drug ads as much as the next sports addict and is really tired of being told to not take anything it is allergic to. But last week, Health and Human Services (HHS) Secretary Kennedy and Food and Drug Administration (FDA) Commissioner Makary launched an offensive against DTC drug ads. According to *The Wall Street Journal* (WSJ), Makary told CNBC, that the FDA “will require more disclosure and longer ads that may make the ads no longer feasible.” (Emphasis added.)

The mechanism, per FiercePharma, is the 1997 adequate provision rule: “The rule allows pharmas to include only the most important information about risks and side effects of a drug in a TV ad, while pointing to separate resources where viewers can find the full prescribing information.” In effect, HHS is proposing to make ads so unwieldy as to be unairable.

This is a bad idea. The WSJ thinks so because of that pesky Constitution thing:

> *What’s really going on here is an effort to use government regulation to ban advertising for pharmaceuticals. This is a longtime project of the political left and Mr. Kennedy. But because this would violate the First Amendment, he’s trying to do it by the back door.*

This is correct.

But it is also a bad idea from an innovation perspective. A few years back, during a hearing, a member of the House took a shot at pharmaceutical companies, arguing that they spent too much of their revenue on ads and too little on research. This raised, at least to Eakinomics, the question: “What is the optimal ratio of revenue to DTC ad spending?” Since the hearing was boring, there was time to derive the result (see below for original derivation).

Forget all those squiggles; here's the bottom line. DTC works. So, drug companies sell more drugs, which allows them to have the revenue to cover the costs of the nine in 10 drug efforts that will fail. Everyone looking for the next breakthrough drug needs to take a deep breath at the costumes, tune out the jingles, and ignore the Voice of God listing of warnings.

The DTC debate was settled 30 years ago. Kennedy and Makary are doing nobody a favor.