



New Data Show Foreign Reference Drug Pricing Proposals Would Reduce the Development of New Innovative Medicines in California by 88%

Fewer drugs for cancer, diabetes, rare diseases and other conditions would be developed, and California would lose 32,000 jobs

SAN FRANCISCO, SAN DIEGO, LOS ANGELES, & WASHINGTON, DC –

March 24, 2021 – [Biocom California](#) and the [California Life Sciences Association \(CLSA\)](#) today released [data](#) analyzing the potential impact of international reference pricing (foreign price controls) on California’s biopharmaceutical innovation ecosystem, including investment into small company capital formation and the new drug development pipeline.

The [analysis](#) shows that implementing foreign reference pricing in Medicare Part D, as H.R. 3 proposed to do, will lead to the wholesale destruction of California’s world-class innovative biopharmaceutical sector and decimate the life-saving R&D that thousands of companies are engaged in to help develop new treatments and cures for patients around the world. The study was conducted by Vital Transformation, an international health economics firm, to examine the impact of Medicare Part B and D foreign reference pricing as proposed in [H.R. 3, the Lower Drug Costs Now Act of 2019](#).

“International reference pricing proposals would tie U.S. prices for medicines to prices in countries with different health systems and restricted availability and access to innovative medicines,” said Mike Guerra, President and CEO of CLSA. “California’s innovation ecosystem, which leads the country in the development of innovative therapies, would be destroyed as a result. Reference pricing proposals would annihilate decades of progress and take our country backwards, and along with it the patients and families who are desperately looking for groundbreaking medicines.”

“These new data unequivocally show that importing foreign price controls into Medicare will slash investments in research and development, dramatically reduce the pipeline of new cures and treatments, and ultimately hurt the very patients who are most vulnerable to both chronic and life-threatening diseases,” said Joe Panetta, President and CEO of Biocom California. “It would be devastating for small California companies, which rely on capital investment to bring products to market. On behalf of California’s innovators, we urge Congress and the Administration to consider policies that would lower out-of-pocket costs for patients while continuing to foster an environment that supports innovation.”

New Data's Key Findings:

Impact on the entire U.S. biopharmaceutical economy:

- H.R. 3 will lower industry revenue by \$102 billion a year (\$565 billion / 5 years), representing a **reduction of 56% of earnings before interest and taxes (EBIT) revenue.**
- **One third of all affected companies will see reductions greater than 95% of earnings.**
- Over the last 10 years, **companies affected by H.R. 3 invested a total \$487 billion** into venture partnerships and licensing agreements with emerging biotechnology companies, leading to **68 new approved medicines.**
- **The potential reduction of revenue under H.R. 3 (\$102 billion/year) is more than twice the annual amount of partnership investments (\$48.7 billion).**
- Small biotechnology companies rely on investment and partnership with large companies to bring new products to market. Those drastic revenue reductions mean that large companies will be forced to make fewer investments in proportion to their reduced revenue, which would lead to radical industry consolidation and shrink market entry of new drugs.
- **If H.R. 3 had been in place over the last 10 years, only seven drugs would have likely come to market, instead of 68 – a 90% reduction.**
- **If enacted, H.R. 3 would lead to direct U.S. job losses of, at a minimum, 190,000.**

Impact on California's innovation ecosystem:

- **California's biopharmaceutical sector is the largest in the U.S.**
- California biotechnology companies alone received 25% of all U.S. investment funding from companies affected by H.R. 3.
- California biotechnology companies produced 16 of the 68 drugs developed over the last 10 years with venture investments from companies affected by H.R. 3.
- **If H.R. 3 had been in place over the last 10 years, only two of the 16 medicines produced in California from venture partnerships would have come to market – an 88% reduction.**
- **Medicines with a higher risk profile, including oncology, neurology, pulmonology and rheumatology, will no longer be viable investments,** as investors will be forced to focus on assets with a higher probability of a return on investment, leaving vulnerable populations without hope for new treatments.
- **If enacted, H.R. 3 would lead to California job losses of, at a minimum, 32,000.**
- Of note, other states will also see large reductions in the number of new drugs coming to market in direct proportion to that seen in California, should H.R. 3 go into effect.

About Biocom California

Biocom California is the leader and advocate for California's life science sector. We work on behalf of more than 1,400 members to drive [public policy](#), build an enviable [network of industry leaders](#), create [access to capital](#), introduce [cutting-edge STEM education programs](#) and create robust value-driven [purchasing programs](#).

Founded in 1995 in San Diego, Biocom California provides the strongest public voice to research institutions and companies that fuel the local and state-wide economy. Our goal is simple: to help our members produce novel solutions that improve the human condition. In addition to our [San Diego](#)

[headquarters](#), Biocom California operates core offices in [Los Angeles](#) and the [San Francisco Bay Area](#), satellite offices in [Washington, D.C.](#) and [Tokyo](#), and has a continuous staff presence in Sacramento. Our broad membership benefits apply to biotechnology, pharmaceutical, medical device, genomics and diagnostics companies of all sizes, as well as to research universities and institutes, clinical research organizations, investors and service providers.

For more information on Biocom California, please visit our website at www.biocom.org. Connect with us on [LinkedIn](#), [Facebook](#), and Twitter ([@BIOCOMCA](#)).

About California Life Sciences Association (CLSA)

California Life Sciences Association ([CLSA](#)) is the state's largest and most influential life sciences advocacy and business leadership organization. With offices in Sacramento, San Diego, South San Francisco, and Washington DC, CLSA works closely with industry, government, academia and others to shape public policy, improve access to innovative technologies and grow California's life sciences economy. CLSA serves biotechnology, pharmaceutical, medical device and diagnostics companies, research universities and institutes, investors and service providers throughout the Golden State. Visit CLSA at www.califesciences.org, and follow us on Twitter [@CALifeSciences](#), [Facebook](#), [LinkedIn](#) and [YouTube](#).

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