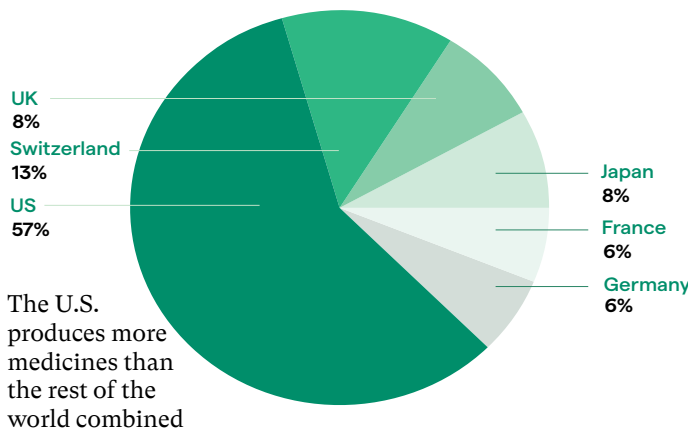


# Impact of International Pricing Index on Innovation and Patients

International Pricing Index means setting prices for innovative medicines in the U.S based on the prices foreign countries with different health care systems pay for those medicines. Importing price controls would threaten the development of new treatments and cures and jeopardize patient access to medicines.

## The U.S. leads the world in innovation



The Cost of Innovation:

It takes 10 to 15 years to bring new medicines to market and costs \$2.6 billion on average

Only 1/10,000 of chemical compounds make it from the lab to market

Less than 10% of all public U.S. life science companies are profitable

## Price Controls destroy innovation

Importing foreign price controls into Medicare Part D would cause<sup>3</sup>:

56 percent reduction in industry revenue, significantly reducing the investment capital available for partnerships and licensing agreements with small biotechnology companies

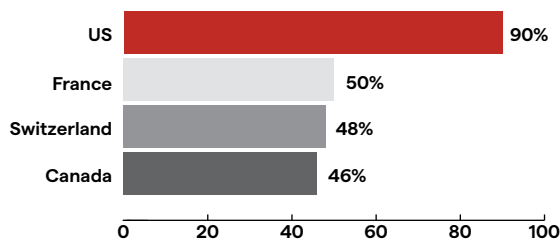
90 percent reduction in new medicines developed by small U.S. biotech companies

Nearly a million indirect biopharmaceutical job losses

Steep decline in research and development in oncology, neurology, pulmonology, and rheumatology

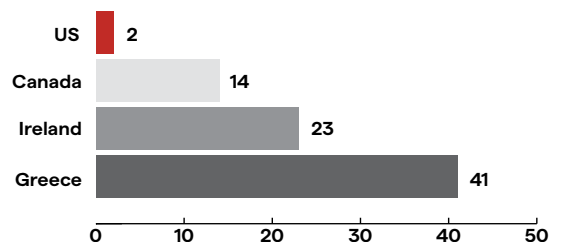
If price controls had been in place from over the last 10 years, small California biotechnology companies would have brought just 2 new medicines to market, instead of 16.<sup>4</sup>

## Price controls hurt patient access to innovative medicines



Percentage of medicines available.

Foreign patients have access to fewer medicines



Number of months it takes for medicines to be available.

It takes longer for foreign patients to have access to new medicines.

<sup>1</sup>Milken Institute; Xconomy, "Which Countries Excel in Creating New Drugs? It's Complicated" 2014; Kneller, Nature Biotechnology, 2012

<sup>2</sup>DiMasi JA, Grabowski HG, Hansen RW. Innovation in the pharmaceutical industry: New estimates of R&D costs. J Health Econ. 2016;47(May):20-33

<sup>3</sup>H.R.3 - Medicare D Reference Pricing; Calculating the impact of International Reference Pricing on Medicare Part D innovation, as well as the ecosystem impacts on the US and California's biopharmaceutical sector, Vital Transformation, LLC, 2021

<sup>4</sup>H.R.3 - Medicare D Reference Pricing; Calculating the impact of International Reference Pricing on Medicare Part D innovation, as well as the ecosystem impacts on the US and California's biopharmaceutical sector, Vital Transformation, LLC, 2021

<sup>5</sup>catalyst.phrma.org/setting-the-record-straight-on-international-reference-pricingphrma.org/-/media/Project/PhRMA/PhRMA-Org

<sup>6</sup>catalyst.phrma.org/setting-the-record-straight-on-international-referencepricingphrma.org/-/media/Project/PhRMA/PhRMA-Org