

August 4, 2022

California Representatives and Senators
U.S. Congress
Washington, DC

We write as the leadership of small and emerging biopharmaceutical companies in California that represent the leading edge of healthcare innovation in America. The medical biotechnology industry is dedicated to pursuing cures for grievous illnesses such as COVID-19, HIV, autoimmune disorders, and cancer, to name only a few. These and countless other diseases would be untreatable without the scientific breakthroughs researched, discovered, and developed by our industry. Our work requires extensive experimentation and investment over many years.

We support policies that enable patients to access the best treatments. Achieving this means also preserving the innovation ecosystem that enables us to find new cures. The Inflation Reduction Act of 2022 does not achieve those goals and could instead destroy the ecosystem that enables America to serve as a leader in scientific innovation.

We therefore urge California Representatives and Senators to reject the Inflation Reduction Act.

California medical biotechnology contributes mightily to therapeutic innovation. Our industry and its supply chain together contribute \$411 billion in economic output and directly employ about 313,000 people with average wages of \$159,000 per person.¹ The bill could threaten this environment within California. A recent study by consultancy Vital Transformation estimates that, should the drug price “negotiation” provisions like the Inflation Reduction Act take effect, California could lose over 100,000 jobs supported by the life sciences sector and companies could experience an average 55% drop in available cashflow.²

To support our work on behalf of the health and well-being of patients, our companies require continuous investment into high-risk, high-return research and development. The Inflation Reduction Act threatens the investment model that sustains life-saving innovation. According to Vital Transformation’s new analysis, if the bill should pass, Americans could see a sharp reduction in essential new drugs entering the FDA approval pipeline within three to five years, and twenty percent of research and development investment could be lost by 2039.³ Novel disease-targeting new technologies could be shelved, and up to 135 of these new therapies may not be developed, leaving many diseases to continue devastating patients who are desperate for new options.⁴

The bill also threatens companies’ investment in post-approval research. Our companies continue to invest in treatments many years after FDA approval. We study new uses of existing

¹ California Life Sciences 2021 Sector Report

² Vital Transformation, “Build Back Better: Total market impact of price controls in Medicare parts D and B”, July 2022

³ Vital Transformation, “Build Back Better: Total market impact of price controls in Medicare parts D and B”, July 2022

⁴ University of Chicago, “Policy Brief: The Impact of Recent White House Proposals on Cancer Research”, June 2022

medications to enable additional uses, especially in disease areas like cancer. Nearly 60% of oncology medicines approved a decade ago received additional approvals in later years. A recent analysis by University of Chicago found that government controls would reduce annual spending on cancer research by nearly \$18 billion a year.⁵ We are also seeing incredible developments in HIV/AIDS prevention and treatment medicines, but another report from the University of Chicago found that drug pricing could lead to dramatic declines in research and significant reductions in new antivirals much needed to help meet the goal of Ending the HIV Epidemic by 2030.⁶

California's patients and small innovative companies can't afford this bill. As biopharmaceutical leaders in California, we strongly urge Congress to abandon this approach and instead pursue bipartisan reform that improves patient access and affordability. We urge you to reject the Inflation Reduction Act in order to enable us to continue to develop the next generation of therapies and cures.

Sincerely,

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⁵ University of Chicago, "Policy Brief: The Impact of Recent White House Proposals on Cancer Research", June 2022

⁶ University of Chicago, "Issue Brief: The Impact of HR 5376 on Antiviral Innovation and Patient Health", November 2021

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