

National Study Shows International Reference Pricing Would Prevent Medicine Development, Supply & Innovation

A recent study by [Vital Transformation](#), a firm focused on quantifying and defining innovation and change in the healthcare sector, shows that price setting policies being considered in the U.S. will significantly impede researchers’ ability to bring life-saving treatments to patients and respond to future health crises – including pandemics.

The [study](#) measured the impacts of international reference pricing policies on the biopharmaceutical industry, particularly in states like California with a significant biopharmaceutical industry presence. The study also calculated the impacts of reference pricing on the global investment ecosystem and drug development.

WHAT IS INTERNATIONAL REFERENCE PRICING?

International reference pricing (IRP) is a method of pharmaceutical pricing. It describes the process in which nations compare costs of the same treatments in a variety of countries in order to set or influence the price of a product in its own country. Biopharmaceutical companies are often forced to accept these prices or face further restrictions on coverage. Some countries have discriminatory policies or threaten to break patents on valuable new medicines. Practices like these force artificially low prices, delay patient access to new medicines and keep some innovative treatments off the market entirely.

CALIFORNIA’S LIFE SCIENCE INDUSTRY SUPPORTS ECONOMY, JOBS & MEDICAL MIRACLES (2019)

15,300

Number of biomedical facilities in California, the birthplace of the biotech industry

\$6.4 Billion

Paid in direct state and local taxes by California biotechnology companies

1.4 Million

Californians directly and indirectly employed by the biotechnology industry

\$123,000

Average salary California biotech employees were paid

\$102 Billion

Total biomedical exports from California biotechnology companies

1,380

New medicines in California’s pipeline, including COVID-19 vaccines, therapies and testing

\$17 Billion

Total estimate venture capital investment in California biomedical companies

\$122 Billion

California receives 25% of total national investments from multiple sources for research and development at small innovative biotech companies

Impacts of Reference Pricing on the Life Sciences Industry

If IRP was enacted in the U.S. between 2009-2019, the following impacts would occur:

90%

fewer medicines developed by small and emerging biotech companies— 61 fewer medicines in the U.S.

88%

fewer medicines by small and emerging California biotech companies - a reduction from 17 to 2 approved products.

62%

reduced earnings on average for impacted companies.

56%

reduction in U.S. biopharmaceutical industry annual earnings and elimination of 200,000 biopharmaceutical industry jobs, and another 1 million jobs across the economy.

33%

of all affected companies would have reductions larger than 95% of net earnings.



WHAT WOULD IRP MEAN FOR PATIENTS?

- ⊕ Adopting price controls on innovative medicines would severely restrict investment in new cures and therapies for diseases and jeopardize access to these medicines for patients in need.
- ⊕ Under current IRP discussions at the federal level, therapies that would be lost include those for the treatment of hypertension, breast cancer, non-small cell lung cancer, bleeding, lymphoma, multiple sclerosis, diabetes, migraine pain, psoriasis and many others.
- ⊕ In countries that use IRP and other government price controls, patients face significant restrictions in accessing new medicines and treatment options. Nearly 90% of new medicines launched since 2011 are available in the United States compared to just 50% in countries that use some form of IRP.
- ⊕ In addition to having fewer options, patients in these countries often must wait years longer for medications than patients in the United States.

State and federal policymakers are encouraged to support patient-oriented pricing solutions that lower out-of-pocket costs for Americans, maintain access to the latest therapies, and fuel the cures of tomorrow.