

CSIS REPORT:

Supporting Pro-Competitive M&A is Critical to U.S. Leadership in Biopharmaceutical Innovation

Protecting and promoting collaboration across the U.S. life sciences ecosystem remains a driving force in bringing new breakthroughs to patients, according to a 2024 report from the Center for Strategic and International Studies (CSIS).¹

As the report's authors assert, pro-innovation mergers and acquisitions (M&A) and other collaborations provide vital pathways for leveraging complementary resources and expertise across companies, helping to position the U.S. as a global leader in biopharmaceutical innovation.

Key takeaways from the report, "Understanding the U.S. Biopharmaceutical Innovation Ecosystem," are highlighted below:

- 1 From small start-ups to larger, established firms, life sciences companies of all sizes each play an important role in leveraging their highly specialized expertise to bring new treatments and cures to patients.**
 - "With access to universities as well as a skilled workforce and extensive capital – especially in the nation's biotech hubs... [early-stage] firms work at the cutting edge of biopharmaceutical research, often taking a chance on novel products that are too risky for the larger, more established players in the market."
 - "Large pharmaceutical companies can help startups address the challenges associated with scaling up operations and bringing products to market by offering a wide array of resources and expertise. These range from conducting quality clinical research, navigating the regulatory approval process, manufacturing at scale, and marketing (including product distribution)."
- 2 M&A is a fundamental path for life sciences companies to be able to "pass the baton" and connect promising treatments and cures with the complementary resources, expertise and investment needed to bring them to patients.**
 - "At VC exit, startups often look to partner with larger companies via sublicensing or through mergers and acquisitions to obtain the resources needed to scale their activities. Building out these operational capabilities poses risks in terms of delay in time to market and high capital costs. Compared to large pharmaceutical companies, startups have relatively limited institutional knowledge and experience with navigating regulatory approvals, supply chain logistics, and late-stage commercialization."
- 3 Policymakers must recognize and support the unique role of M&A in the life sciences—particularly in an increasingly competitive global economy.**
 - "This distributed and interconnected structure—a hallmark of the U.S. biopharmaceutical innovation system—is unprecedented in its capacity to bring life-saving and health-enhancing drugs and medical devices to market. Renewing this system, and in turn sustaining the U.S. global competitive lead in biopharmaceuticals, requires policies supporting and streamlining the incentives to cooperate..."

The U.S. Federal Trade Commission and Department of Justice have recently advanced anticompetitive reforms that threaten to deter the very collaborations that support breakthroughs across the life sciences. Maintaining these flawed policies moving forward would have a domino effect on the competitive ecosystem that we all rely on for our health.

¹ Center for Strategic & International Studies. Understanding the U.S. Biopharmaceutical Innovation Ecosystem. August 15, 2024. <https://www.csis.org/analysis/understanding-us-biopharmaceutical-innovation-ecosystem>.