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US LIFE SCIENCE ECOSYSTEM

Life Sciences M&A: Myths vs. Facts

Mergers and acquisitions (M&A) are unique in promoting a more innovative and competitive American life sciences industry. It is important to understand the reality of how M&A works as a critical pathway for life sciences companies to "pass the baton" along the long and costly journey to bring new treatments to patients.

MYTH 1

The life sciences industry is consolidated.

America's life sciences industry is unique given the competitive dynamics that exist across companies of all sizes, each aiming to find a new, better way to treat disease. **More than 2,300 biopharmaceutical companies are headquartered in the U.S.**[1] and **hundreds more start every year**.[2] Altogether, America's life sciences ecosystem employs over two million people and operates out of more than **120,000 business establishments in all 50 states**.[3]

The U.S. life sciences industry is among the most competitive globally, in large part due to longstanding bipartisan innovation policies—such as the Hatch-Waxman Act,[4] Orphan Drug Act[5] and 21st Century Cures Act.[6] Together with these policies, life sciences M&A has fostered an ecosystem where early-stage innovation is incentivized, fueling a constant pipeline of newer and more advanced approaches to help treat and cure many serious diseases.

With more than **8,000 potential new treatments and cures on the horizon** across dozens of disease areas,[7] this pipeline translates into direct competition for finding the best approach to treat a disease.

MYTH 2

M&A decreases innovation.

The journey to bring scientific discoveries to patients is long and risky, and most companies are unable navigate the process alone. On average, it **costs $2.6 billion and takes 10-15 years** to bring a new treatment to patients.[8] Life sciences M&A is fundamentally about improving companies' chances of successfully completing this journey to bring new breakthroughs to patients. M&A allows companies to specialize in what they do best, and partner when it makes sense.

Experts, including the American Bar Association[9] and Congressional Budget Office,[10] have acknowledged that M&A can help life sciences companies overcome these difficulties.

Unlike many other industries, about **80 percent of biopharmaceutical companies operate without a profit**.[11] External investment, including venture capital, plays a unique, central role to advancing promising early-stage innovations through the development pipeline. M&A incentivizes this investment, creating the potential for investors to recover their investment while offsetting the risks of early-stage research and development.

MYTH 3

We need to increase antitrust enforcement in the life sciences.

M&A activity across the life sciences benefits patients by serving a unique and fundamental role in advancing innovation across the ecosystem. Balanced competition policies have fostered life sciences innovation, while supporting patient access to therapies, for decades.

The unique role of M&A in the life sciences has been reaffirmed by our courts and other leading experts for decades. The Congressional Budget Office has acknowledged that, **"In making [an] acquisition, a large company might bring a drug to market more quickly than the small company could have or might distribute it more widely."**[10] **Smaller, early-stage life sciences companies have asserted that mergers "simply mark a turning point in the natural evolution of the drug development process."**[12]

Drastic antitrust policy shifts have introduced new uncertainty and risk to an already high-stakes process for America's life science ecosystem. The Federal Trade Commission (FTC) and Department of Justice (DOJ)'s antitrust agenda has risked deterring M&A broadly and indiscriminately, putting new treatments and cures for patients at risk. **Policymakers must acknowledge the importance of balanced policies that reflect the unique competitive dynamics in the highly innovative American life sciences industry.**

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[6] 21st Century Cures Act. H.R. 34. 114th Congress (2016). https://www.congress.gov/114/bills/hr34/BILLS-114hr34enr.pdf.

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[8] DiMasi, Joseph A., Henry G. Grabowski, and Ronald W. Hansen. "Innovation in the pharmaceutical industry: new estimates of R&D costs." Journal of Health Economics 47 (2016): 20-33.

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[10] Congressional Budget Office. Research and Development in the Pharmaceutical Industry. April 2021. https://www.cbo.gov/publication/57126.

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[12] Spark Therapeutics. Comments Re: Pharmaceutical Task Force, Project No. P212900. June 2021.

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