

November 13, 2019

The Honorable Nancy Pelosi
Speaker of the House
U.S. House of Representatives
1236 Longworth House Building
Washington, D.C. 20515

The Honorable Mitch McConnell
Majority Leader
United States Senate
317 Russell Senate Building
Washington, D.C. 20510

The Honorable Kevin McCarthy
House Republican Leader
2468 Rayburn House Building
Washington, D.C. 20515

The Honorable Charles Schumer
Senate Minority Leader
322 Hart Senate Building
Washington, D.C. 20510

Dear Majority Leader McConnell, Minority Leader Schumer, Speaker Pelosi, and Republican Leader McCarthy:

As investors with more than \$20 billion invested in private and public biopharmaceutical companies of all sizes, we take pride in the fact that we are supporting companies whose researchers and scientists strive daily to develop innovative life-changing therapies and cures for patients, often with amazing success.

We are deeply concerned, however, that if policies such as those included within H.R. 3, the Lower Drug Costs Now Act, are passed, our ability to continue to invest in future biomedical innovation will be severely constrained, thus crushing the hopes of millions of patient waiting for the next breakthroughs to treat or cure their cancers, rare genetic diseases, Alzheimer's, or other serious and life-threatening conditions.

While we strongly support your goal of improving the affordability of medicines, such policies would represent an unprecedented government intervention in the U.S. market for drug development and delivery that will upend the ecosystem of U.S. biomedical innovation. In particular, granting the U.S. government essentially unchecked authority to set the price of new innovative medicines for the entire U.S. market, based on foreign pricing benchmarks that systematically undervalue the benefits of these medical breakthroughs for patients and society, will make investments in this space simply too risky for private investors to support at the levels needed to continue the acceleration of biomedical progress.

The facts are clear and stark. Private investment in applied drug research and development (R&D) within biopharmaceutical companies fuels the innovation ecosystem for new medicines. Globally, these investments exceed \$170 billion a year – almost six times the basic research budget of the National Institutes of Health – and more than 90% of all new medicines are developed entirely from this private investment in applied R&D. Yet conservatively, H.R. 3 would remove hundreds of billions of dollars in revenues from the private biotechnology industry. And even with a dramatically increased budget, NIH basic research funding would never be able to supplant the private investment that funds the vast majority of R&D that is directly related to developing and bringing to market new biopharmaceuticals.

Biotech investment already is a high-risk enterprise. Despite incredible scientific expertise and massive financial support, the chance of success is extremely low, with only one in 10 clinical programs advancing to FDA approval. If, after we invest hundreds of millions of dollars over a decade or more to achieve such success, the government can impose an artificially low price on the few new drugs that make it to market, our robust biotech investment ecosystem will become unsustainable.

While we agree that foreign governments should be paying more to support biopharmaceutical innovation, adopting these foreign price controls into the U.S. market – the largest drug market in the world and the one that drives the vast majority of future R&D globally – will have devastating impacts on investments in new medicines. Simply put, the price controls imposed overseas by countries that are far too willing to restrict access by their patients to new medical innovations cannot support the massive investments needed to continue to fuel the global development of new biopharmaceutical breakthroughs.

Such a result would be deeply unfortunate given that, scientifically, we are on the cusp of witnessing the next wave of miracle drugs, with the ability not just to treat, but to actually cure, so many genetically-based diseases and other serious conditions.

We strongly urge you to abandon the harmful approaches contained within H.R. 3, and to support bipartisan policies that lower drug costs for patients in ways that ensure America remains the world leader in biomedical innovation and that allow private investors to continue to invest in confidence in support of that worthy goal. In this regard, we were heartened to see that members of the Senate Finance Committee recently voted in a bipartisan manner to oppose policies that tie U.S. prices to those paid in foreign countries, even in a narrower context such as the Administration's Medicare Part B proposal. We support their efforts and believe that any attempts to import foreign price controls should be rejected as it would send a chilling message to the biotech investment community about the future of the U.S. drug market.

Thank you for your consideration of our views.

Sincerely,

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Robert Nelson, Co-Founder & Managing Director
South San Francisco, CA

Bay City Capital
David Beier, Managing Director
New York, NY

Deerfield Management
Alex Karnal, Partner & Portfolio Manager
Jonathan S. Leff, Partner
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