

# **HOW THE "SMALL MOLECULE PENALTY" DETERS Rx INVESTMENT**

### **NEW MEDICINES ARE EXPENSIVE AND** TIME-INTENSIVE

Research and development of a single drug can take 10-15 years and cost ~\$2.6 billion.



#### **VENTURE CAPITALISTS FUND EARLY-STAGE RESEARCH** AND DEVELOPMENT

Venture capital in the U.S. plays a direct role in the riskiest phase of development. Nine out of ten products that enter clinical trials never get approved.



**20 YEARS OF IP PROTECTION** FROM DAY OF **FILING PATENT** 



**12-16 YEARS OF PROTECTION** THAT FUNDS **FUTURE R&D** 



**PROVIDED BY THE FDA TO MAKE UP FOR GAPS AND ENCOURAGE INVESTMENT** 

## THIS SYSTEM WORKS REALLY WELL

## SO, WHAT'S THE PROBLEM?

The Inflation Reduction Act of 2022 CHANGES this by creating a price control on small molecule drugs after 9 years.

- Small molecule medicines are generally pills, tablets, or capsules that provide important treatment options for cancer, neurological conditions, and more.
- 50% of investment returns come in years 9-13.

**AS A RESULT, INVESTORS WILL** BE DETERRED FROM INVESTING FOR SUCH A SHORT RETURN HORIZON.

THIS IS THE SMALL **MOLECULE PENALTY.** 



#### FORTUNATELY, THERE IS A SOLUTION

This problem can be easily fixed without undoing the IRA.

Bringing 13-year parity to small molecule medicines will ensure science of all types can advance and continue to improve health outcomes for patients.





About Incubate: Incubate is a coalition of early-stage life science organizations from the investment, corporate, and philanthropic communities. We're a vessel for the voice of our members, committed to educating policymakers on venture capital's role in bringing promising ideas to patients.

