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.

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.

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.

THIS IS THE SMALL MOLECULE PENALTY.

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.

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