



July 10, 2023

The Honorable Bernie Sanders  
Chairman  
Health, Education, Labor, and Pensions (HELP)  
Committee,  
U.S. Senate  
Washington, DC 20510

The Honorable Bill Cassidy  
Ranking Member  
Health, Education, Labor, and Pensions (HELP)  
Committee  
U.S. Senate  
Washington, DC 20510

**RE: Incubate Response to Draft Legislation to Reauthorize the Pandemic and All-Hazards Preparedness Act (PAHPA)**

Dear Chair Sanders and Ranking Member Cassidy:

On behalf of Incubate, the largest coalition of venture capital organizations that finance the early-stage life sciences ecosystem, we write to share our concern on Title VI of the Reauthorize the Pandemic and All-Hazards Preparedness Act (PAHPA) and its potential impact on the American life sciences economy.

Specifically, we are concerned about the proposed reference pricing provisions, which would require that all BARDA and CDC-supported products be sold to the Federal Government or in the U.S. commercial market at the lowest price among G7 countries and at a “reasonable price.”

**As we have expressed previously, implementing foreign reference pricing schemes on American products would be detrimental to our effective medical discovery system.**<sup>12</sup> Our existing high-risk-high-reward investment structure in life sciences development cultivates the fastest and most innovative biopharmaceutical pipeline in the world. This comprehensive ecosystem, paired with nearly 30 years of hard work from the biotechnology community and billions of dollars of private capital, produced the COVID-19 vaccines that were mass-distributed globally, ushering in the end of the pandemic.

If the U.S. had implemented reference pricing based on Canada, France, Germany, Italy, Japan, and the United Kingdom, then the COVID-19 vaccine success would likely have never happened. Without the financial incentive to continue research and development (R&D), companies like Flagship Ventures (now Flagship Pioneering) may not have invested in the then-unknown startup, Moderna, that focused on mRNA solutions.

Instead, our nation’s medical discovery is driven forward by continued early-stage R&D, funded by private capital. As investors, we continue to invest in the industry because we the hope to provide returns on investment (ROI) to our limited partners (LPs), which include pension funds, university endowments, foundations, and more. It is our responsibility to respond to the market – if ROI dries up in a particular industry, then that industry will receive less investment as a result.

The inclusion of this controversial language – dating back to President Trump’s “Most Favored Nation” proposals – undermines the important goals of the legislation. Whether responding to a future pandemic or the grave threat of antimicrobial resistance (AMR), the most important element of drug development is interest of the market. **The “reasonable pricing” language proposed in the discussion draft will curtail investor interest in CDC and BARDA-related discoveries and cause fewer dollars to be directed to**

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<sup>1</sup> Retrieved from: <https://incubatecoalition.org/most-favored-nation-mfn-model-interim-final-rule-with-comment-period/>

<sup>2</sup> Retrieved from: <https://incubatecoalition.org/venture-capitalist-letter-addressing-president-trumps-mfn-eo/>



**warding off our next crisis.** We strongly urge the removal of this section and support the swift, bipartisan re-authorization of PAHPA.

Thank you for the opportunity to comment. Please do not hesitate to email [john@incubatecoalition.org](mailto:john@incubatecoalition.org) or [ashlyn@incubatecoalition.org](mailto:ashlyn@incubatecoalition.org) with any questions.

Sincerely,

John Stanford  
Executive Director  
Incubate

*About Incubate*

*Incubate is a 501(c)(4) organization of venture capital organizations representing the patient, corporate, and investment communities. Our mission is to ensure patients continue to reap the benefits of the unrelenting innovation spurred by venture capital investment in the life sciences industry and protected by the American system of intellectual property.*