Will regulation of market behavior of prescription drug market participants reduce industry employment?

Background. The biopharmaceutical industry claim, without evidence, that virtually any regulation of market practices will result in job loss. This issue of jobs v regulation has been part of the environmental protection debate for decades. The overall finding is that environmental regulation can cause employment shifts – not net job loss.

Environmental regulation can impact the core business of an industry; making drugs affordable does not impact the *core* business of any participant in the prescription drug market segment (researchers, manufacturers, pharmacy benefit managers, health insurers).

Current state of biopharmaceutical employment. Job loss is a routine feature of the biopharmaceutical industry for a variety of reasons.

First, unlike decades ago, the biopharmaceutical industry is populated with scores, if not hundreds, of small 'biotechs' funded by venture capital. Biotechs conduct the pre-clinical science into new medicines and treatments. The large drug companies with which we are all familiar then either buy up the biotech company in total or purchase the rights to whatever molecule the biotech has developed.

The biotech sector is undergoing a notable 'shake out' due solely to *market* forces in 2021-2022. Large pharmaceutical companies and venture capitalists have decided that biotech is significantly overvalued. Capital has become constrained and the acquisitions of biotech companies by large pharmaceutical firms have slowed down considerably. Many small biotechs have folded, others have slashed costs and employment to try and hang on until the market settles.

When large companies acquire small biotechs or purchase the assets/product lines of other large firms, invariably there are very significant layoffs in the name of efficiency. Merger and acquisition job loss is a feature of this industry and has been for years.

Even prior to the trend of mergers, pharmaceutical companies were slashing their 'on the ground' sales forces in response to doctors turning against direct sales pitches and denying salespeople access to their offices. Again, this is a market forces with significant impact on employment.

Drug affordability and employment. In contrast, making prescription drugs affordable should maintain, if not increase, sales revenue. If sales revenue is maintained after regulation, there should be no job loss. Job loss based on anticipatory fear of any regulation is not the fault of a regulation.

Making prescription drugs affordable will mean that manufacturers have faster product 'take-up' in the market when employers do not constrain patient access to a new product based on high cost. Faster market access should improve industry employment, not diminish it.

Making prescription drugs affordable for consumers should eliminate some of the misaligned incentives in our current system that drive up patient costs and generate profits on drugs for entities that should not even have prescription drugs profits as a significant source of revenue. These entities in include hospital clinics and pharmacy benefits managers, among others. Changing this market dysfunction is a key goal of the biopharmaceutical industry and can only be accomplished through regulation all along the supply chain, including manufacturers. Alignment of incentives as part of cost reduction should not impact employment.

Making drugs affordable should not affect the core operations of any part of the biopharma marketplace. Making drugs affordable should mean more sales of high-cost drugs, not less. Making drugs affordable will not affect existing market dynamics which make job loss a key feature of the market operation.

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