

77% of Investors Say IRA's 'Pill Penalty' Disincentivizes Small Molecule Investments

Early signals of the IRA's impact on pharmaceutical investor strategy include reduced investment in small molecules and favoring larger launch indications.

WASHINGTON, DC, UNITED STATES, September 9, 2025 /EINPresswire.com/ -- Investors across a range of stages, investment sizes, and fund types frequently reported that the Inflation Reduction Act (IRA) of 2022 is exacerbating challenges in bringing innovative new medicines to market, [according to new research](#) from the National Pharmaceutical Council (NPC) and the University of Washington (UW) published in Health Affairs Scholar.

"Inflation Reduction Act Impact on Pharmaceutical Investment: Insights From Investor Interviews" demonstrates early signals that the IRA and its Medicare Drug Price Negotiation Program (DPNP) is already influencing investment strategy and decisions in the life sciences — particularly for small molecule drugs and indication sequencing. The study is authored by UW's William J. Canestaro, PhD, MSc, and NPC's Julie A. Patterson, PharmD, PhD, and Jon D. Campbell, PhD.

"Though the IRA has been law for more than three years, direct measurement of the law's impact on investment strategy and decisions remains limited," said Dr. Patterson, NPC Senior Director of Research. "Investors decide daily which companies to fund, technologies to license, and programs to prioritize. An interview-based approach gives us a well-rounded view of the IRA's effect on real-time investment choices with downstream impact on patient access to new medicines."

- Conducting interviews with 31 active life sciences investors, the researchers found that more than 90% had discussed the IRA and its effects within their firm, though nearly three-quarters of respondents said that their firm lacks a consensus on the law's potential impacts. Additional insights were:
- Nearly 9 in 10 (87%) investors reported that the IRA is making it more challenging to bring innovative new medicines to market.
- Approximately half of investors stated that the law has already impacted deal value (45.5%), exit values (45.5%), and/or companies raising capital (56.5%).

- More than three quarters (77%) of investors shared that the IRA's "pill penalty" has created a disincentive to investing in small molecules.
- All but one investor reported they were more likely to consider a larger launch indication for products they invest in, and that they may wait longer to enter clinical development to have a better chance of success with a larger indication rather than starting sooner with a smaller indication.

This study builds on previous [NPC research](#) about how the IRA may have unintended consequences on patient access to innovative treatments, particularly for investment in small molecule drugs and delays in single-indication drug launches. NPC recently addressed these concerns in [comments submitted](#) to the Centers for Medicare & Medicaid Services.

"While these results are based on stated preferences, they strongly suggest that the IRA has both influenced investor strategies and directly impacted deals in the life sciences — particularly in small molecules and the sequence of indications," said Dr. Campbell, NPC's Chief Science Officer. "As IRA implementation moves forward, it will be increasingly important to continue engaging these stakeholders to better understand how drug development is changing. We look forward to future collaborations with partners including UW researchers."

About the National Pharmaceutical Council

NPC serves patients and society with policy-relevant research on the value of patient access to innovative medicines and the importance of scientific advancement. We envision a world where advances in medicine are accessible to patients, valued by society, and sustainably reimbursed by payers to ensure continued innovation. For more information, visit www.npcnow.org and follow NPC on LinkedIn.

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