Europe talks health sovereignty — now it must deliver

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European countries must match ambition with action — and reward the kind of pharmaceutical innovation they say they want to lead

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Over the last few weeks alone, biopharmaceutical companies have announced plans to invest more than USD 150 billion in the US, including Novartis plans to invest USD 23 billion in manufacturing and Research & Development (R&D). There have been no announcements of such scale in Europe recently.

As leaders of two of Europe's leading pharmaceutical companies, we see a strong outlook for the US - a market that values pharmaceutical innovation with policies and regulations conducive to fast and broad patient access to innovative medicines.

Unfortunately, the same cannot be said for Europe. While it has been home to some of the most important biopharmaceutical companies in the world – many of which have consistently delivered breakthrough innovations that have transformed and extended the lives of patients across the globe – its position as an industry leader is now in jeopardy.

Against a backdrop of waning European biopharmaceutical competitiveness, the uncertainty of tariffs on the sector is further reducing the incentives to invest in the EU. We expect this trend to continue at the expense of European capital and jobs. China, now the second largest biopharmaceutical market in the world, has a clear focus to expand its leadership by attracting multinationals and creating a vibrant biotechnology environment.

In response, the European Commission is seeking to reduce bureaucracy and simplify regulations. We fully support these steps to improve competitiveness, but this is very far from being enough.

The single largest issue facing Europe in retaining our sector is its failure to properly value biopharmaceutical innovation. The US market for pharmaceuticals is estimated to be about twice as large as Europe's, despite Europe having a considerably larger population. Europe's pharmaceutical model of producing in Europe and exporting to the US cannot continue. This means it needs to strengthen its domestic market.

Furthermore, European governments have systematically used price controls and austerity measures, independent of the value of medicines, reducing the attractiveness of their markets. In many European countries, launch prices are suppressed, patented medicines' market growth is capped, and prices are reduced when new applications are found for medicines. While the US and China are finding ways to incentivize innovation, Europe is inadvertently penalizing innovation, reducing its own market potential.

These policies are detrimental and lead to a lack of access to many innovative treatments for patients in Europe. Recent data show that over 30% of medicines approved in the US were still not available in Europe after two years. If the US introduces any form of reference pricing, this will increase as companies withdraw

medicines or decide not to launch them in Europe. Over time, as access to innovative medicines in Europe declines, it is inevitable that clinical trial and R&D capacity will also further shift to the US and China.

Without intervention, Europe will soon face similar crises to what we have seen in other countries. Take Japan as an example. Over the past decade, Japan experienced a significant disinvestment from the biopharmaceutical industry, in which prices were reduced for patented medicines to protect the market for older generic medicines. This led to a significant drug lag and loss crisis. Japan is now reforming its approach to supporting innovative medicines, but recovery is a slow process.

So, what can Europe do to boost its domestic market to spur innovation?

First, the EU should implement a Europe-wide list price that fully values a medicine or new indications, setting a clear benchmark for member states. This price should be in the range of US net prices for medicines and could then be adjusted through rebates to member states based on GDP per capita allowing members states to make medicines available rapidly after approval.

Second, member states, particularly larger countries, need to increase their spend on new medicines to fairly reward innovation and boost economic growth. We recommend the EU set a European-wide spend target for innovative medicines and vaccines.

Third, individual countries should end the practice of artificially capping biopharmaceutical market growth and reducing prices when new indications are approved. This creates a clear disincentive for innovators.

Europe has leading universities, leading talent, and leading hospitals. With deregulation and creating an attractive market for innovation, Europe can unleash the global potential of its biopharmaceutical industry.

However, if it fails to act now, the decline of the sector and departure of companies will accelerate. We hope Europe seizes the moment.
