Overview

For over three decades, venture capital has spurred the creation and growth of healthcare innovation, such as in the biotechnology and medical device industries. Small venture-backed companies play a critical role in bringing revolutionary medical innovations and discovering groundbreaking treatments and cures aimed at diagnosing, treating, and curing the most deadly and costly diseases. For example, venture capital backed 42% of all FDA-approved drugs from 2009-2018.

Recently, however, venture capital investment in healthcare innovation has come under pressure due to the escalating time, cost, and uncertainty of new product development, combined with increasing coverage and reimbursement challenges. Approval processes at the Food and Drug Administration (FDA) and difficulties obtaining coverage and reimbursement for breakthrough products put pressure on teams of doctors, scientists, and investors that are working to bring next-generation therapies and cures to the American public. The result of these challenges is that many promising healthcare startups are not able to raise the capital they need to grow and prosper.

Policymakers must recognize that the medical innovation ecosystem in the U.S. is at a crossroads—rich with new scientific promise and opportunities to improve patient care, but harmed by help from policymakers to help move promising new ideas forward. The United States should make the advancement of medical innovation a national priority for patients and for our overall healthcare system.

Policy Recommendations

Policymakers should adopt modern approaches to development, regulation and reimbursement policies.

NVCA supports policies that streamline the regulatory approval process at the FDA, particularly for novel technologies, as well as the reimbursement process at the
Center for Medicare and Medicaid (CMS). Process improvements at these agencies are critical to encouraging investors to take the long-term risk of pursuing new medical innovations that will save and improve patients’ lives and spur U.S. job creation.

The federal government must also re-commit to robust basic research funding and technology transfer programs so promising developments can be commercialized, thus creating jobs and improving health.