

FTI CONSULTING SURVEY: HEALTHCARE & LIFE SCIENCES INDUSTRY OUTLOOK 2024

# BioPharma in 2024: At a Crossroads



## Supporting the Life Sciences Industry at an Inflection Point

This fourth edition of FTI Consulting’s Healthcare and Life Sciences Outlook Survey sees healthcare and biotechnology organizations facing a transition point. Despite being less optimistic about the industry overall in 2024 compared to previous years and expressing concerns about economic and political uncertainty, the 250 industry leaders we surveyed still highlighted a number of game-changing opportunities for the sector in the year ahead. One potential bright spot for 2024: the transformational impact that technology and artificial intelligence (AI) are expected to have on the drug development process and life sciences more broadly.

Healthcare and Life Sciences (HCLS) leaders are divided about what the 2024 economic and political outlook means for their industry.

Sixty-eight percent of respondents feel optimistic about the HCLS industry overall, notably down (-8%) from 76% in last year’s iteration of this survey.<sup>1</sup> While the United States’ economy continues to perform well, growth is expected to slow, and these results are indicative of the challenges the industry faced in 2023 including inflation and rising interest rates,<sup>2</sup> increased scrutiny by the Federal Trade Commission (FTC) around Mergers and Acquisitions (M&A) deals<sup>3</sup>, and a slowdown in biotech Initial Public Offerings (IPOs).<sup>4</sup> As a result, respondents are not approaching 2024 with the same positive views.

When they do look on the bright side, leaders are most optimistic about their organizations’ financial performance (79%), though this is also down (-8%) from 87% last year.<sup>5</sup>

Respondents also emphasized the potential for increased spending in research and development (R&D) as the industry adapts to the realities of a post-COVID-19 operating context.

The unique juxtaposition of the challenging macroeconomic and political conditions and the opportunities made possible by increased focus on R&D and the potential of AI has put the HCLS industry at a crossroads.

From a communications perspective, while the sector experienced a surge in reputational gains during the height of the COVID-19 pandemic,<sup>6</sup> companies are transitioning into a post-COVID era and now face the challenge of maintaining and strengthening any reputational wins.<sup>7</sup>

The industry’s focus now shifts from crisis response to sustaining growth – requiring biopharma firms to demonstrate an ongoing commitment to innovation. Proactive communication about long-term strategies, community engagement, and advancements in R&D will be crucial to solidifying these newfound reputational gains and navigating the additional challenges that are arising.

Clear and tailored communication with stakeholders, including investors, regulators, and the public, is essential to fostering confidence in the sector’s resilience and the individual organizations’ potential. Companies operating in this complex space can strategically craft their narratives to instill trust and credibility in what looks to be an unpredictable economic and political environment in the year ahead.

“While Food and Drug Administration (FDA) approvals in 2023 have already exceeded the total number seen in 2022, 2023 has not seen the uptick in dealmaking volume and overall investment in biopharma many were expecting. This trend, combined with disinformation campaigns, initial implications of the Inflation Reduction Act (IRA), and macroeconomic uncertainty, is leading to cautious optimism for 2024. As we head into next year, investment in the sector’s core competency — development of innovative medicines — is expected to increase, with AI predicted to drive change both within and outside of R&D.”



**Robert Stanislaro, Senior  
Managing Director, Corporate  
Reputation**

## Where Does the Money Go? Leaders with Increased Budgets Prioritize R&D, Marketing, and Talent

While 22% of respondents surveyed are tightening their purse strings, nearly half (48%) of the companies will be increasing their overall budget compared to 2023. The top areas where they'll be spending more include R&D (48%) and marketing (44%), as well as in retaining (43%) and recruiting (42%) talent.



## Tempered Expectations for Increased Market Activity

After another challenging year for the HCLS capital markets, there is a sense among industry professionals that the sector may finally be rounding a corner in 2024, albeit a year later than most had anticipated. However, broader economic uncertainty is driving continued caution across the sector year over year. Compared to the fast money of the pandemic era, which was free flowing into life sciences companies in particular, the industry will most likely wait to see how the broader market plays out before making major moves in 2024.

### M&A ACTIVITY



**ROUGHLY TWO-THIRDS (67%)** of respondents expect M&A activity to be higher in 2024, slightly up (+4%) from 2023 expectations.<sup>8</sup>

In 2023, M&A activity received a boost with Pfizer's proposed acquisition of Seagen for

**\$43 billion**

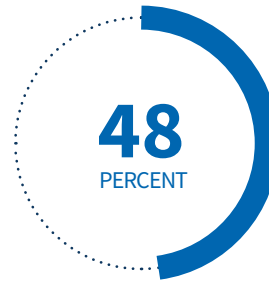
In October 2023, the deal won unconditional EU approval,<sup>9</sup> and by December Pfizer had received all regulatory approvals, paving the path for the deal to close.<sup>10</sup> As company valuations continue to remain somewhat depressed, M&A has the potential to be a key tailwind for the HCLS industry in 2024.

## IPO & FUNDRAISING ACTIVITY

Respondents were slightly more tempered around accessing the capital markets in the coming year.



**FIFTY-FOUR PERCENT ANTICIPATE IPO ACTIVITY WILL BE HIGHER** in 2024 than in 2023, on track with our last survey (+1%) but still down 11% from 2022.



Slightly less than half (48%) **FORESEE HIGHER SPECIAL PURPOSE ACQUISITION COMPANY (SPAC) ACTIVITY** in 2024 than in 2023, only down 2% year over year, but down 9% from 2022.

Reflecting on post-pandemic valuations for HCLS companies, over 36% of respondents agree that the ability of HCLS startups to access and raise capital depends on company-specific factors, such as therapeutic area(s) of focus, pipeline assets and stage, pedigree, etc.

The remainder of respondents are **EQUALLY SPLIT** about these companies' ability to access and raise capital in 2024.

**28%** agreed that it will be **EASIER TO ACCESS AND RAISE CAPITAL IN 2024**

**28%** agreed that it will be **MORE DIFFICULT TO ACCESS AND RAISE CAPITAL**

### 5 KEY TAKEAWAYS

- 1 Macro trends could have an outsized impact on industry activity (relative to years past)
- 2 Companies should be ready to execute when the markets open
- 3 M&A could be the most likely tailwind in 2024
- 4 Lean on validated technology and demonstrated expertise to de-risk an investment thesis and support fundraising
- 5 Understanding policy and election implications on investment activity is critical

“Coming out of a difficult few years for fundraising and deal-making, the healthcare and life sciences industry is poised for an uptick in activity in 2024. Companies in need of capital should be prepared to act quickly when the broader market rebounds — whether they’re looking to IPO or raise funds via a private or public round. For those companies that are well-funded longer-term, driving home their balance sheet strength to investors who are still somewhat hesitant in a shaky market will be a value-driver and differentiator.”



**Jim Polson,**  
Senior Managing Director,  
Financial Communications



## Bracing for the Political Unknown

Reflecting on the legislative and regulatory activity the industry experienced in 2023, it is not surprising that HCLS leaders are divided on the Biden administration’s expected impact on the industry (49% positive; 40% negative), with a +5% increase in expected negative impact compared to the previous year.

HCLS leaders also have mixed views about the IRA. On one hand, the regulations are expected to lead to the development and demand for vaccines (62%) and biologics (60%), while on the other, respondents expect the legislation to negatively affect patient access to and affordability of care (25%) and curtail orphan drug development (22%) in the coming year.

However, what may be the most telling is respondents’ predictions for increased legal action due to the IRA. After the Act was announced, biopharmaceutical companies such as Novartis, Astellas (since withdrawn), AstraZeneca, Boehringer Ingelheim, Bristol Myers Squibb, Johnson & Johnson, and Merck filed lawsuits against the federal government around the regulation’s price setting measures.<sup>11</sup> Notably, 58% of respondents expect more lawsuits to be filed against the U.S. government by pharmaceutical and life sciences companies due to the regulation’s impact on business activity.



“As companies face increasing market pressure, technological disruption, public scrutiny, and political unpredictability, leadership must constantly assess the political landscape to manage and mitigate risk. Companies can build momentum toward smarter, more effective policies by strengthening alliances and communicating effectively to multiple stakeholders ahead of policy initiatives.”



Lauren Crawford Shaver, Senior Managing Director, Head of Healthcare & Life Sciences in the Americas

## AI Powers BioPharma Into the Future

Like many other industries, AI is driving change across HCLS. From accelerating drug discovery to driving diversity in clinical trials and improving patient engagement, intelligent technologies are transforming the way companies operate.

**NEARLY 7 IN 10 RESPONDENTS** are optimistic about AI and its impact, both to create efficiencies within (66%) and outside (66%) of drug development.



Less than a quarter of respondents (24%) are **FULLY PREPARED** to respond to the risk of not utilizing AI in operations over the next year, with nearly half of respondents (47%) saying they are **SOMEWHAT PREPARED**.

## Tackling Disinformation Head-on

Although health disinformation is not a new phenomenon, the pervasiveness of false and inaccurate information became more widespread during the COVID-19 pandemic, exacerbated by the proliferation of social media.<sup>12</sup> In this survey, 40% of respondents reported feeling pessimistic about the pharmaceutical and life sciences industry’s ability to prevent misinformation/disinformation. On a positive note, they feel slightly less pessimistic (34%) when it comes to the pharmaceutical and life sciences industry’s ability to respond to and correct misinformation/disinformation.

New tools, such as FTI Consulting’s proprietary disinformation monitoring system, are helping companies to not only identify harmful narratives before they spread but also to identify the individuals and organizations— from the niche to the mainstream — responsible for disseminating this information. Using these tools in parallel with FTI Consulting’s subject matter experts, companies can more easily predict and respond to damaging narratives in the early stages before they negatively impact a company’s reputation or mislead patients.

### 4 KEY TAKEAWAYS

- 1 Implement a comprehensive monitoring system to identify narratives of concern prior to them doing significant reputational damage
- 2 Assemble a multi-disciplinary team to help assess, manage, and/or respond to disinformation
- 3 Develop a multi-pronged playbook that consists of content developers, credible third-party advocates, and fact-checking organizations that can be used to further set the record straight, if necessary
- 4 Anticipate which company milestones and mainstream developments could spur disinformation and develop a proactive strategy to get ahead of any conflict

## Facing the Danger of Increasing Healthcare Costs and Declining Reimbursement Rates

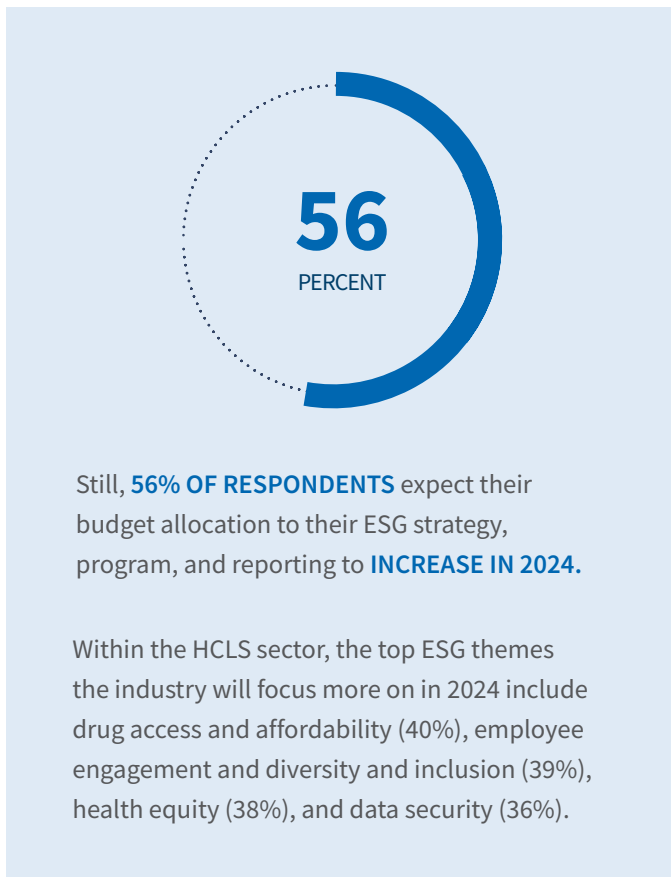
The U.S. spends more on healthcare than any other high-income country, however, despite accelerated spending, health outcomes are worsening.<sup>13</sup> This perspective is shared by respondents from this year’s survey with **84% OF PARTICIPANTS AGREEING THAT HEALTHCARE COSTS CONTINUE TO INCREASE YEAR OVER YEAR, BUT THE POPULATION IS NOT GETTING ANY HEALTHIER.**



Respondents cite declining reimbursement rates as one of the biggest risks to the HCLS sector — with 90% of respondents stating that they are not fully prepared to respond, and 38% are not prepared at all to respond to this increasing financial risk. Furthermore, nearly 8 in 10 (78%) agree that declining reimbursement rates will pose a significant threat to the life sciences and pharmaceuticals industry in 2024 and beyond and 67% agree that it is becoming increasingly difficult to sustainably provide healthcare services.

## Backlash Causes Companies to Rethink ESG

The recent conflict over the ESG movement highlights the intersection of politics and business as corporations weigh the potential economic and social consequences of taking a stance on hot-button issues in the face of scepticism toward, or direct opposition to, the burgeoning integration of ESG considerations into business decisions.

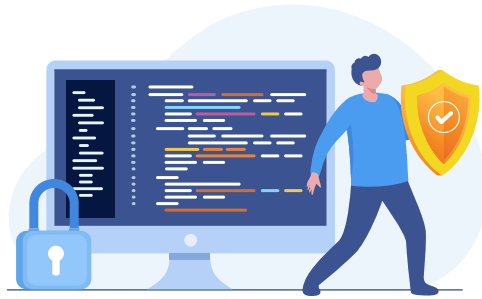


“The recent politicization of ESG has resulted in companies being fearful of attracting too much attention given the risk that dialogue becomes critical or negative. While this is understandable, we also expect it to be balanced by two key considerations. First, key stakeholders remain focused on E, S, and G issues that can materially affect companies – positively or negatively – and companies will need to continue to control the narrative to favorably differentiate themselves amongst peers. And second, the array of relevant regulation coming out of the U.S. and the E.U to which U.S. domiciled HCLS companies will be subject will inevitably increase both the level of related disclosures and the scrutiny with which they’re reviewed.”

**Ben Herskowitz, Senior Managing Director, ESG & Sustainability Advisory**

## Cybersecurity Threats Continue to Plague Healthcare Companies

The HCLS industry remains a prime target of cybersecurity threat actors, largely due to the value of the data these organizations maintain and the operational havoc that can be inflicted on an industry whose primary mission is to save lives. Leaders are acutely aware of these risks; **cybersecurity threats were cited by survey respondents as the industry’s second biggest risk for 2024 – a steep climb from the 7th biggest risk last year.**<sup>14</sup> Second only to economic uncertainty, nearly a quarter (24%) of respondents believe cybersecurity incidents are the most significant risk to their company over the next 12 months.



Heading into 2024, half the industry (50%) feels vulnerable to a potential cyber attack or incident (up from 42% last year), with significant areas of vulnerability including malware and ransomware (54%) and incidents that involve

privacy violations like the Health Insurance Portability and Accountability Act (HIPAA) and personally identifiable information (PII) (46%), and phishing (41%). Notably, more than one-third (36%) of respondents think their working model will have a negative impact on the risk of cyber incidents to their organization, with half the industry (50%) requiring full-time, in-person work over the next year and 41% using a hybrid working approach.

Healthcare organizations acknowledge the potential significant impacts of a cybersecurity incident. Similar to last year’s survey findings, data access/exposure (56%), financial costs (49%), and patient care (46%) remain the biggest cited risks of a cyber attack to the industry.

Against this backdrop, healthcare leaders have rightfully adopted a preparedness mindset and are investing in cybersecurity crisis planning efforts. More than half of the industry (55%) already has a crisis communications plan in place for cyber attacks or incidents, and more than one-third (37%) has participated in a cyber-related crisis simulation or table-top exercise. In the next year, nearly half of the industry (46%) is considering a simulation or table-top exercise, while one-third (30%) of respondents are considering developing a crisis communications plan.

“Perhaps no other sector has higher stakes when it comes to cybersecurity risk than healthcare and life sciences. From significant operational challenges to legal and regulatory scrutiny to reputational risk, the potential impacts can be severe. It is incumbent upon healthcare leaders to take steps now to prepare for these inevitable issues, including by having a tested plan for communicating effectively and maintaining stakeholder trust.”



**Jamie Singer, Managing Director,  
Cybersecurity & Data Privacy  
Communications**

### 5 KEY TAKEAWAYS

- 1 Be transparent and protect credibility
- 2 Exercise empathy to all stakeholders
- 3 Maintain message discipline
- 4 Don’t let the crisis derail short and long-term business objectives
- 5 Be prepared by investing in cybersecurity ahead of an incident



# Final Thoughts & Takeaways

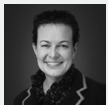
- ✓ Leaders remain optimistic about where the pharmaceutical and life sciences industry is going, growing, and innovating
- ✓ Economic and political uncertainty continues to temper potential growth and leaders’ optimism about the industry’s future
- ✓ There is a strong political divide in the perceptions around new regulations and companies must continually assess the landscape to mitigate risks
- ✓ Cybersecurity continues to be a key risk that leaders need to prepare for and take seriously, as well as monitoring and addressing misinformation
- ✓ AI will be critical to creating efficiencies in innovation and development, and the industry can better prepare for and harness this potential for continued growth

## Positioning Organizations for Success in 2024

As this year’s FTI Consulting Healthcare & Life Sciences Outlook survey shows, organizations in the sector continue to operate in an increasingly complex and globally interconnected landscape where information is difficult to control, reputations develop and change quickly, and crises move rapidly.

These changing market forces and external disruptors make it critical for organizations to communicate their business

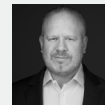
story clearly and persuasively to a variety of stakeholders and be prepared to protect and promote their reputations in 2024. FTI Consulting’s experienced HCLS team understands the economic, legal, and regulatory challenges confronting organizations in this industry and provides strategic counsel in all aspects of financial, corporate, public policy, brand, and medical communications to best position organizations for future success.



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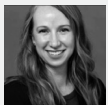
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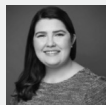
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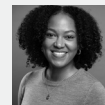
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- <sup>5</sup> See supra note 1.
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- <sup>13</sup> Munira Z. Gunja, Evan D. Gumas, and Reginald D. Williams II, “U.S Health Care from a Global Perspective, 2022: Accelerating Spending, Worsening Outcomes,” The Commonwealth Fund, (January 31, 2023), <https://www.commonwealthfund.org/publications/issue-briefs/2023/jan/us-health-care-global-perspective-2022>.
- <sup>14</sup> In FTI Consulting’s 2023 Healthcare & Life Sciences Industry Outlook research, Question 24 asked, “What do you believe are the biggest risks for your company over the next 12 months?” “Cyber incidents/attacks” (21%) was ranked 7th most significant risk by respondents. This research was conducted online by FTI Consulting’s Strategic Communications segment between November 18-30, 2022 with n=250 decision makers in corporate communications, investor relations, public affairs, business development and marketing for healthcare and life sciences companies in the U.S. Contact [james.condon@fticonsulting.com](mailto:james.condon@fticonsulting.com) with any questions.



This research was conducted online by FTI Consulting’s Strategic Communications team between October 9 - 18, 2023 with n=250 decision makers in corporate communications, investor relations, public affairs, business development, and marketing for healthcare and life sciences companies in the U.S. Due to the standard convention of rounding, some totals may not add up to 100%.

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