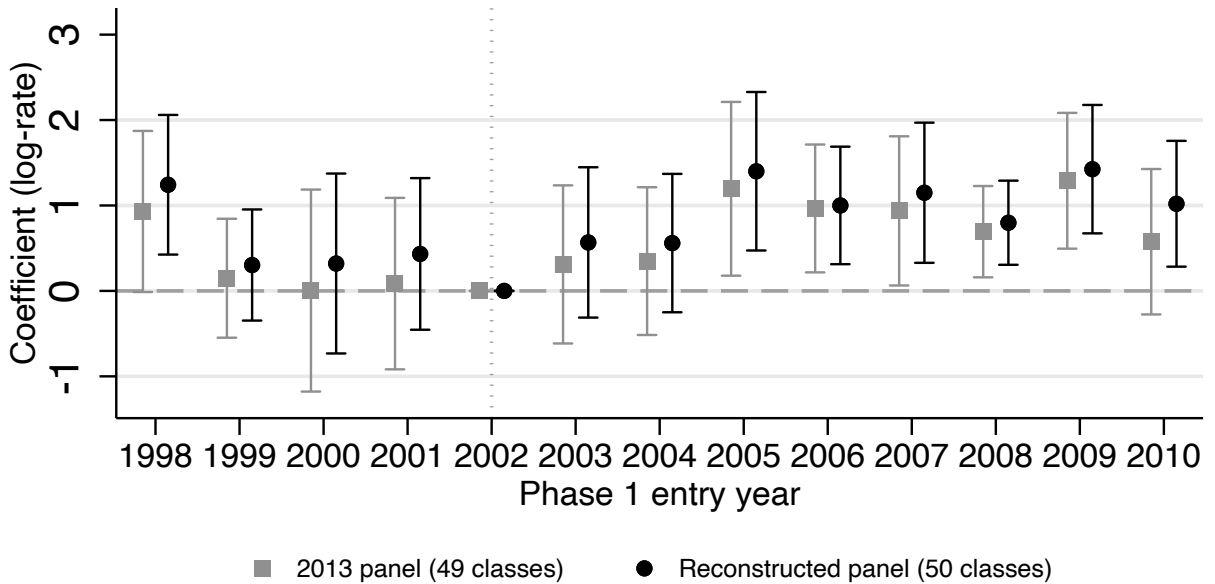


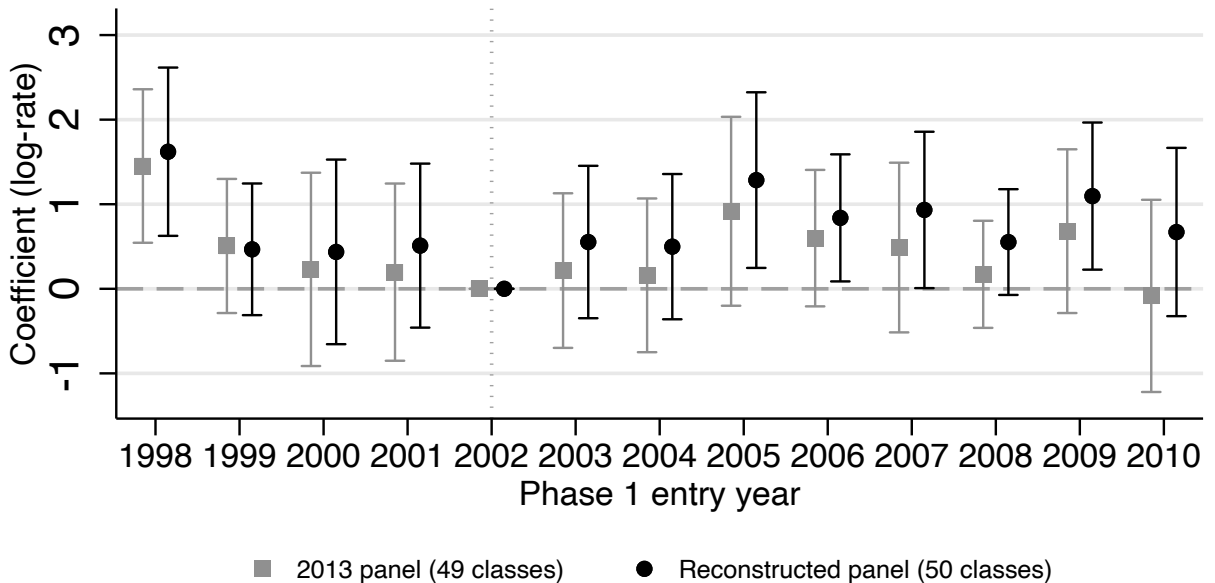
Phase I entries: class trends *and* year FE

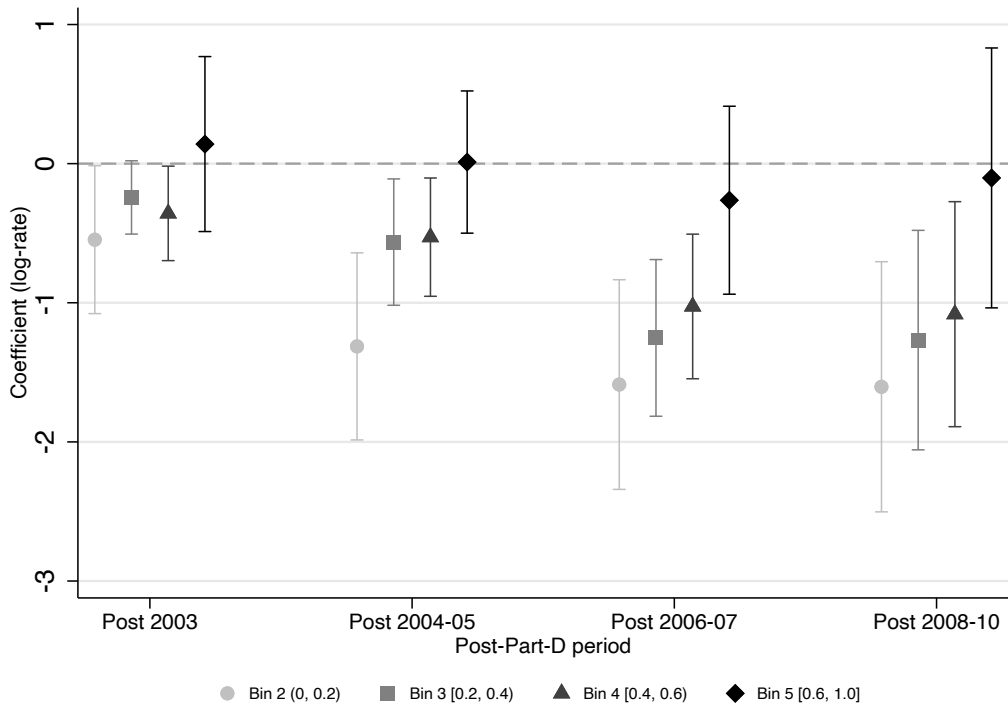
	(1)	(2)	(3)	(4)	(5)
Medicare share $\times$ post-period					
2003	0.353 [-0.03, 0.73]	0.377 [-0.01, 0.77]	0.371 [-0.03, 0.77]	0.507 [-0.23, 1.24]	0.459 [-0.41, 1.33]
2004–05	0.640 [0.33, 0.95]	0.641 [0.32, 0.96]	0.623 [0.30, 0.95]	0.987 [0.28, 1.70]	0.955 [0.28, 1.63]
2006–07	0.810 [0.36, 1.26]	0.879 [0.43, 1.33]	0.832 [0.37, 1.29]	1.294 [0.57, 2.01]	1.273 [0.36, 2.19]
2008–10	1.251 [0.60, 1.91]	1.327 [0.66, 1.99]	1.279 [0.60, 1.96]	1.392 [0.46, 2.32]	1.362 [0.12, 2.61]
LN(PV lead market)	4.321 [-11.77, 20.42]	2.797 [-13.44, 19.03]	2.704 [-13.85, 19.26]	-5.845 [-9.76, -1.93]	19.553 [-9.28, 48.39]
Class FE	yes	yes	yes	yes	yes
Class trends	yes	yes	yes	no	yes
Year FE	no	no	no	yes	yes
<i>N</i>	637	650	650	650	650

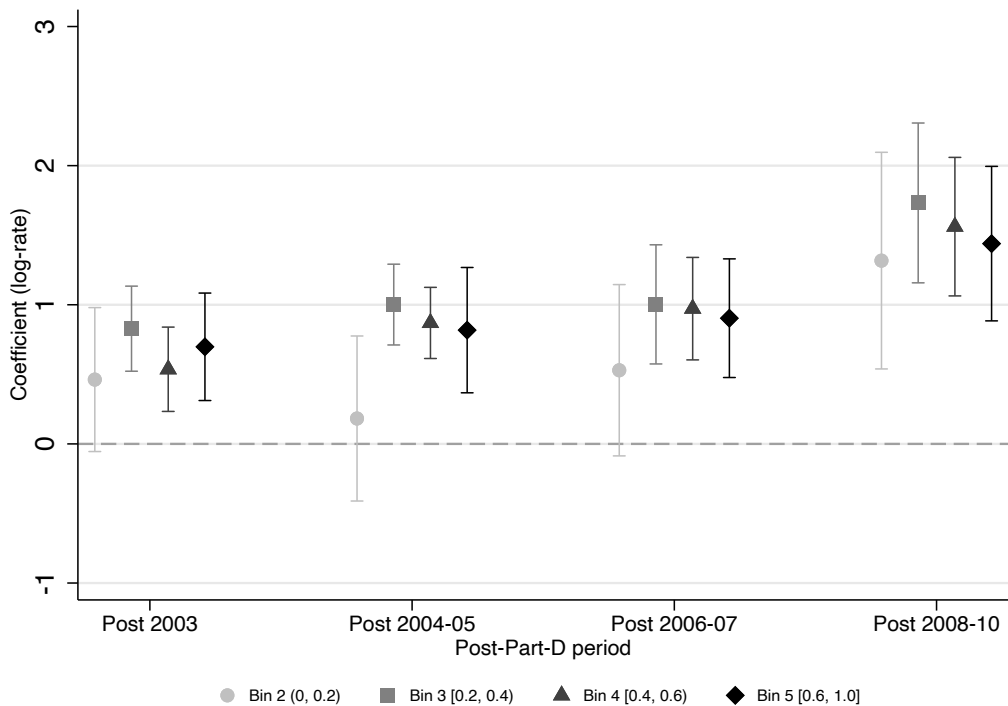
Panel A: Class-specific linear trends and year fixed effects



Panel B: No class trends, year fixed effects







Approval rate per Phase I entry: time absorbers

	No time absorber	Period FE	Year FE	Linear trend
Medicare share $\times$ 2006–10	-2.572 [-3.57, -1.58]	-0.405 [-2.35, 1.54]	-0.470 [-2.28, 1.34]	-0.534 [-2.38, 1.31]
Std. err. (clustered)	0.605	1.185	1.102	1.120
<i>N</i>	594	594	594	594
Classes	50	50	50	50

More trials, converting less often

	1998–2002	2003	2004–05	2006–07	2008–10	All
Phase I entries	1,008	256	579	706	1,527	4,076
Entries per year	202	256	290	353	509	314
Approved within 15 yrs	0.037	0.027	0.017	0.018	0.007	0.019

My Questions

- Luca's right: this is about Part D, and how elasticities are used matters...
 - Should we believe that the effect on drug development is symmetric if a negative shock (price negotiation) occurs?
- Where I got stuck:
 - Part D arguably could have affected *all* classes, so there are *no true zeroes*
 - "Treatment" (Medicare share) is *continuous and* isn't a clean proxy for exposure
 - Poisson is the right model for *count data* with a mass at zero... but is semi-elasticity (percentage changes in trials) believable with imperfect capital markets? (Should it be a level/count change instead?)
- What else does this paper need?
- Should it be retitled?