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Committee

Executive Nominations Committee

Joint Committee on Ending Homelessness

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Support SB 910: Public Health - Solemn Covenant of the States to Award Prizes for Curing Diseases - Compact

Background Information:

- In 2019, the Ohio legislature passed House Bill 166, sponsored by Representative Jim Butler, also known as the “Cure Bill,” legislation with the goal of discovering cures for major diseases.
- Senator Nathan-Pulliam requested that I sponsor this bill on her behalf when she retired.

Issue:

- Currently, there are more financial incentives for the private sector to invest in treatments, that are needed over and over again, than there are to find cures. The private sector is driven by shareholders, so it has to maximize profits.
- Government entities and charities primarily fund basic science research (test tubes through animal studies) and less frequently conduct applied science research (human studies) for a new product without a private sector partner.
 - NIH and charities fund over \$40B/yr in basic research which normally stops before human trials for new products.
 - Human trials and advanced research are funded almost exclusively by the private sector.
 - Research into treatments is favored due to a higher return on investment versus cures.

What does SB 730 do?

- SB 730 is a multi-state compact that shares the first five years of taxpayer’s savings as an incentive for the private sector to cure diseases. The compact takes effect once six states join.
- The Compact, working with banks, will:
 - Identify at least ten major diseases based on severity and cost; and the criteria for what determines a “cure.”
 - Then it will calculate the projected 5-year savings, if the disease is cured, and publish it as an incentive for finding the cure.
 - In exchange for a cure and its patent, the Compact will award the incentive payment.
 - The Compact then will only pay the bank its actual 5-year cost savings.
 - The Compact will contract with a private manufacturer to mass-produce and distribute the cure, and to get necessary licensing and assume any liability.

- The cure is sold to compacting states at cost, and to non-compacting states for cost and a royalty fee.
- This royalty fee goes to pay loan interest, actuaries, and then goes towards offsetting what compacting states pay.
- The royalty is not calculated as part of the incentive award.
- Taxpayers assume no risk. No additional appropriation of money is needed, other than nominal dues states normally pay to be a part of a compact. If a cure is found, then a state pays no more than it is already paying.

Why is SB 730 important?

- In the words of Joseph Stiglitz, an American economist, public policy analyst, and professor at Columbia University:
 - It is necessary to find alternative ways to finance and incentivize research, in some instances, in order to direct innovation and ensure that the benefits of the knowledge are enjoyed as widely as possible.
 - The health care market is not an ordinary market. Most people do not pay for what they consume; they rely on others to judge what they should consume, and prices do not influence these judgments as they do with conventional commodities. Distortions in the market are common.
 - A medical prize fund would redirect scarce resources toward more efficient uses and ensure the benefits of that research reach the many people who are currently denied them.
- SB 910 is an innovative approach to develop cures, heal people, and ultimately reduce rising healthcare costs.

Sponsor Amendment:

- Since the bills passed by the covenant states must match each other exactly, as much as possible, SB 910 should match the Ohio law.
- The amendment is simply a technical change to ensure that the language of SB 910 matches as closely as possible the language of the Ohio law.