

T1D Prize, Inc.
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SB 910 – Proponent Testimony on Cure Bill, March 12th, 2020

Chair Pinsky, Vice Chair Kagan, and Members of the Senate Education, Health, and Environmental Affairs Committee, thank you for this opportunity to offer proponent testimony for SB 910. We would also like to thank Senator Clarence Lam and Senator Jill Carter for sponsoring the bill and for their leadership on this issue.

The T1D Prize Foundation is a 501c3, established in 2019. The principal objective of the organization is to offer a \$100M+ prize for a cure for Type1 diabetes. The organization is sponsored by private citizens interested in a mechanism that directly catalyzes behavior. It is our belief that a substantial “reward” will influence researchers in other fields to focus on Type1. As with many diseases with relatively small populations, much of the research funding is applied to larger diseases.

Prizes have been used throughout history to incentivize outcomes. Famously, Charles Lindbergh claimed a \$25K prize for his Atlantic crossing accomplishment. Within a decade of his feat, the aviation industry experienced an unprecedented boom, driven by public demand and a new willingness to fly. Similarly, the XPRIZE provided an alternative to government sponsored space agencies and helped create a massive private space industry.

Although prize models are not novel, the application of prizes to drive cures is. We feel the underlying causation lies with the lack of actual cures being developed. Simply put, cures are bad business model – the money is made in treatment not cures.

One-shot cures for diseases are not great for business – more specifically they’re bad for longterm profits. Salveen Richter – Goldman Sachs

Joseph Stiglitz is an American economist, public policy analyst, and a professor at Columbia University. He is a recipient of the Nobel Memorial Prize in Economic Sciences and the John Bates Clark Medal. His thoughts below on a prize fund were written in 2007 and although focused more on patents, presents the case for a medical prize fund sponsored by government.

Part of modern medicine’s success is built on new drugs, in which pharmaceutical companies invest billions of dollars on research. The companies can recover their expenses thanks to patents, which give them a temporary monopoly and thus allow them to charge prices well above the cost of producing the drugs. We cannot expect innovation without paying for it. But are the incentives provided by the patent system appropriate, so that all this money is well spent and contributes to treatments for diseases of the greatest concern? Sadly, the answer is a resounding “no.”

Drug companies spend far more money on advertising and marketing than they do on research, far more on research for lifestyle drugs (for conditions like impotence and hair loss) than for lifesaving drugs, and almost no money on diseases that afflict hundreds of millions of poor people... It is a matter of simple economics: companies direct their research where the money is, regardless of the relative value to society. The poor can't pay for drugs, so there is little research on their diseases, no matter what the overall costs.

There is an alternative way of financing and incentivizing research that, at least in some instances, could do a far better job than patents, both in directing innovation and ensuring that the benefits of that knowledge are enjoyed as widely as possible: a medical prize fund that would reward those who discover cures and vaccines. Since governments already pay the cost of much drug research directly or indirectly, through prescription benefits,

That said, the prize fund would not replace patents. It would be part of the portfolio of methods for encouraging and supporting research. A prize fund would work well in areas in which needs are well known – the case for many diseases afflicting the poor – allowing clear goals to be set in advance. For innovations that solve problems or meet needs that have not previously been widely recognized, the patent system would still play a role.

The market economy and the profit motive have led to extremely high living standards in many places. But 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. The market is thus rife with distortions. It is accordingly not surprising that in the area of health, the patent system, with all of its distortions, has failed in so many ways. A medical prize fund would not provide a panacea, but it would be a step in the right direction, redirecting our scarce research resources toward more efficient uses and ensuring that the benefits of that research reach the many people who are currently denied them. *

The T1D Prize foundation wholly supports the Cure Bill and the formation of the compact. The solution presented by Representative Butler is sound and a very innovative approach to drive cures, heal people and ultimately reduce the financial pressure of rising healthcare costs. We tend to be reactive as it relates to healthcare, the Cure Bill puts us on the offensive.

Ian Welch - Executive Director, T1D Prize

Geoff Rehnert - Chairman, T1D Prize (Co-Founder of the Audax Group & Type1)

* Joseph E. Stiglitz, "Prizes, Not Patents", *post-autistic economics review*, issue no. 42, 18 May 2007, pp. 48-49, <http://www.paecon.net/PAEReview/issue42/Stiglitz42.pdf>