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**Speaker Pro Tempore Jim Butler
The Ohio House of Representatives**

SB 910 – Proponent Testimony on the Cure Bill, March 12nd 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, which I refer to as the Cure Bill. The Cure Bill creates a multi-state compact to offer future taxpayer savings as an incentive to any entity that develops a cure for a disease that would result in actual savings to state budgets.

The method and scale of the incentive created by the bill is unlike anything ever done in history. The tens of billions of dollars offered for most major diseases will change the landscape of research and development and lead to a dramatic improvement in how we live. Unlike nearly every other effort to date, the Cure Bill accomplishes this without any upfront appropriation or risk to taxpayers.

Why do we need to incentivize the development of cures? The problem is not a lack of money, but rather that corporations with fiduciary duties have an obligation to their shareholders to maximize profits.

Government and non-profit charity funding focuses almost exclusively on basic science research, namely from test tubes to animal studies. Those in the private sector, who conduct almost all R&D into applied science which leads to finished products, overwhelmingly focus on developing treatments instead of cures for two reasons. First, developing new products is very expensive and many products fail during clinical trials. Improved treatments, for example, with a slightly better efficacy, side-effect profiles, or more convenient dosing, are often incremental advances built on already existing products. This incremental approach is less likely to fail than trying to develop a new product like a cure. Because of the expense in bringing new products to market, many companies choose the safer bet of a treatment over an entirely new cure. Second, treatments are normally needed over a long period of time, sometimes indefinitely, and therefore generate substantially more revenue than a cure that you are only required to take for short period of time and will potentially never need again. From a business perspective, treatments ensure repeat customers, while cures, if widely available, can cause a customer not to need any product because the disease is gone and potentially eradicated worldwide. For example, a cure for HIV, if widely available, could largely eradicate the disease and eliminate the need for a patient to take multiple drugs throughout the rest their life. Accordingly, as there is

not a financial incentive for private companies to choose to research cures, we need to create one.

The multi-state compact would become operational after six states enact the legislation before you. Ohio passed the bill into law in July of 2019. Once five more states join, the compact would become active and representatives of each of the founding states would meet to draft rules and choose at least ten major diseases to initially target for a cure. However, there is no limit on the number of diseases, subtypes of diseases, or milestones the Compact can add to the list. Once the initial diseases are chosen by the founding members, then for each disease the Compact would work with a bank that will eventually provide the up-front award when a cure is found. The Compact would work with each bank to develop the cure criteria, or what an inventor would need to prove to claim the incentive award. Once the cure criteria are developed, the actuaries from the Compact and the banks will calculate the projected dynamic five-year cost savings that the compacting states would realize after each disease were cured and the cure became widely available. Those savings would then be published as an incentive award, along with the cure criteria. At that point, any individual, organization, or company will be eligible to earn the award offered after providing a proven cure that meets the criteria, including being fully approved by the FDA if that is required.

To project net impact to state budgets, the actuaries would take into account state expenses such as state share of Medicaid (not federal), local and state employee plans, corrections, and other direct and indirect savings for each of the diseases over a five-year period. If a cure is found, the cure criteria met, and the award claimed, the bank with which the Compact has worked for that disease pay the award. The bank loan is payable only by payments states make if they see actual savings. Each year after a cure is widely available, state budgets will be analyzed, along with claims data and other actual expense data to ensure accuracy, and, if savings are achieved, the states would be required to transfer those savings to the Compact the following year. States will only be required to pay real savings. If a cure does not work as projected or unforeseen side effects diminish the savings achieved, then only the savings achieved, if any, are transferred.

In order to claim the incentive, the inventor must transfer the patent and other intellectual property necessary for the Compact to contract with an employer to mass produce, distribute, license, and assume any liability for, the cure, and sell it to the Compacting states at cost. Other states, the federal government, and foreign governments that did not enter the Compact before a cure was discovered can still purchase the cure; however, they must pay royalty fees equal to their five-year savings. The royalty money is not part of the calculated award, which is only the five-year savings of the compacting states. This extra revenue will largely be rebated back to the compacting states to offset award payments.

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Thus, it is worthwhile for states to enter the compact before a cure is found because it is very likely that states in the Compact will not need to share any savings because royalty payments will be more than Compacting states' savings. Given there is no risk to taxpayers or upfront appropriation – there is nothing to lose and everything to gain for states to join the Compact.

Many prior government officials have advocated for finding cures, but all government spending, mostly allocated through the National Institute of Health, funds only basic science research, which does not progress beyond animal studies for new products. Accordingly, only by incentivizing the private sector by providing a reward on a scale that meets or exceeds the existing incentive to research treatments can cures for major diseases ever be found.

Thank you for your time and consideration of the Cure Bill. Again, I am most grateful to Senator Clarence Lam, Senator Jill Carter, and Delegate Steve Johnson for their leadership on this issue. If you have any questions, please do not hesitate to contact my office in Columbus at (614) 644-6008 or my cell phone at (937) 902-9737.