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

HB 1051 – Proponent Testimony on the Cure Bill, March 2nd 2020

Chair Pendergrass, Vice Chair Peña-Melnyk, and Members of the House Health and Government Operations Committee, thank you for this opportunity to offer proponent testimony for HB 1051, 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 like nothing 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 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 the need for corporations with fiduciary duties to their shareholders to maximize profit.

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 that leads to finished products, overwhelmingly focus on developing treatments instead of cures. First, developing new products is very expensive and many products fail during clinical trials. Improved treatments, for example, with a slightly better efficacy or side-effect profiles or more convenient dosing, are often incremental advances built on already existing products, so they are less likely to fail than an entirely new product like a cure. Because of the expense in bringing a new product to market, many companies choose the safer bet on 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 only take for short period of time and 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 to take multiple drugs the rest of a patient's

life. Accordingly, a financial incentive for private companies to choose to research cures does not currently exist, which is why we need to create it.

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, 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 if each disease were cured and became widely available. Those savings would then be published as an incentive. 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.

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 Compact will contract with the bank it has worked with to determine the cure criteria and incentive estimates to 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 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, 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, and this extra revenue will largely be rebated back to the compacting states to offset award payments. Thus, it worthwhile for states to enter the compact before a cure is found

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because it is very likely 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 everything to gain and nothing to lose 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.

I believe this bill is part of a movement towards a new model of no-risk, results-based governing, in this instance with the goal of discovering cures for major diseases.

Thank you for your time and consideration of the Cure Bill. Again, I am most grateful to Delegate Steve Johnson and Senator Clarence Lam 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