Key Points

The Cure Bill is a multi-state compact that shares the first five years of taxpayer's savings as an incentive for private sector to cure diseases

This is needed because the current financial incentive is for private sector to invest in treatments that are needed over and over again instead of cures—private sector has shareholders, so it has to maximize profits

Government and charities only fund basic science research (test tubes through animal studies) and almost never conduct applied science research (human studies) for a new product without a private sector finder or partner.

Private sector needs to get an equal or greater return on investment for developing cures as they do for treatments for anything to change

A typical blockbuster treatment would make over $1B in revenue for 6-8 years or the remainder of a patent after development.

That is why six states have to pass Compact before it takes effect—five years of taxpayer savings for six states if a major disease were cured would reach that $6B+ return. For example, if 10 states are in the Compact, Alzheimer's cure would be $12-$25B

Example of how the Compact could work:

Six states join, Compact forms, and working with banks for each disease, the compact will select at least ten major diseases based on severity and cost of treatment/disability from the disease. The Compact, along with the bank, will calculate the projected five year savings for the compacting states if the disease is cured and the criteria for what "cure" would mean, which would vary by disease. The projected savings becomes the reward if a cure meets the criteria and the developer wants to claim the reward.

The Compact can set up an unlimited number of diseases, sub-parts of diseases or partial cures, so long as the savings for each is calculated and published.

Once diseases are selected, cure criteria determined, and savings calculated, the Compact does nothing other than adjust calculations every three years.

Private sector sees significant return on investment in the Cure reward and could invest in human clinical trials with promising drugs from basic science research, that they currently would not pick because return on investment is not enough to match a treatment. The larger the five-year savings, the more it is worth it to the private the sector to invest in research to get there.

If private sector meets criteria (for example, stopping and reversing Alzeimers) and wants to claim the reward (say, $20B), they would submit to the Compact, including proof that drug or process (does not necessarily have to be drug needing FDA approval) meets criteria.
The Compact and bank that is making loan for the reward will verify, then pay inventor the $20B upfront. In exchange, inventor transfers patent and any other intellectual property necessary for Compact to mass-produce the Cure.

The loan from the bank is only payable by the Compact from actual savings seen by the compacting states (this is why coordination with bank on cure criteria and calculation of savings is important.) This protects the taxpayers because states will never be required to transfer anything other than actual savings resulting from people being cured of the disease. The payment requirement from the compacting states does not begin until one year after the cure is widely distributed and available. Then, the Compact actuaries will coordinate with the state budget offices to calculate the actual savings from the year before by looking at actual expenditures (for example, Medicaid claims data) and other data. If the savings are not what we're projected, the states still only pay actual savings. The risk for that happening lies with the bank, not with taxpayers (private sector is better than government at calculating and monetizing risk).

The Compact takes the patent and IP and contracts with a private manufacture to mass-produce the Cure and do all the distribution, licensure, and any liability. The contracting manufacture will sell the Cure to the Compacting states at cost (less than a generic). The cure will be sold to non-compacting states and countries (the federal Government can join the compact like any other state or foreign counties can join as non-voting member) at cost, plus a small royalty equal to that state or country's estimated five-year savings divided by the number of units of cure that are projected to be sold. In this way, everyone pays five-year savings.

However, the royalty money paid was not part of the five-year savings financial incentive given to the cure inventor. It would be additional money. That additional money would very likely be more than the compacting states' five-year savings because there will be more people outside than the compact than in. The royalty money pays for the bank interest (time lag from upfront payment until cure available and savings paid over five years and risk) and for the Compact's actuarial expenses. But the remainder, which will be most of it, goes to offset the required payments to be made by the compacting states. Accordingly, it is very likely compacting states will not need to share the first five years of savings and there will be immediate savings to compacting states' budgets.

So, there is really no reason not to join the Compact. There is no appropriation (other than nominal dues states normally pay as part of Compacts. Indiana is part of over twenty Compacts. The governance of this Compact is based on the multistage Insurance Compact, of which 48 or 49 states are members). There is no risk that taxpayers ever pay more than what they are already paying.

But there are advantages to being part of the compact:

1. Get cure at cost
2. Very likely not have to pay first five years of savings because of royalty revenue offset
3. Be able to be part of the initial cure selection and drafting of rules
4. Most of all - be able to be part of something that has a very real chance of curing multiple major disease that will save millions of people from suffering and early death