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Interested Party Testimony Before the Ohio House Health Committee on House Bill 345

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**Greg R. Lawson, Research Fellow
The Buckeye Institute for Public Policy Solutions**

Chairman Huffman, Vice Chair Gavarone, Ranking Member Antonio, and members of the Committee. My name is Greg R. Lawson. I am the research fellow at **The Buckeye Institute**, a free-market think tank here in Columbus that advocates for low-tax, low-regulation policies for Ohio.

I want to offer a few brief thoughts about House Bill 345, the “CURE bill.” The CURE bill represents an innovative mechanism to enhance the incentives for research and development through the mechanism of offering significant financial rewards for successful pharmaceutical development. This is critically important to the state both morally and economically.

Health care is expensive. According to the Centers for Medicare and Medicaid Services, national health expenditures grew 4.3 percent in 2016 to \$3.3 trillion and accounted for 17.9 percent of gross domestic product.¹ Government’s role in this spending is massive with Medicaid alone accounting for more than \$565 billion.²

As members of this committee know well, Ohio’s spending on Medicaid has been increasing for years and now costs more than \$25.5 billion annually.³ Even with a variety of guardrails on the program, spending is likely to increase and will continue to be a real problem for the aged, blind, and disabled (ABD) population who cost the most and represent an increasing portion of the Ohio population. Four percent of the Medicaid population, again mostly ABD, accounts for 53 percent of the spending.⁴

Much of this spending is ultimately spent on chronic diseases such as cancer, diabetes and Alzheimer’s. Finding cures for these terrible diseases will prove critical not only morally, but fiscally. Simply put, Ohio and America in general cannot afford these burdens if it is to retain the needed fiscal space to embrace free markets and pro-growth policies that will create more and better jobs.

While the concept of offering prizes to reward innovation is not entirely unique, and has been discussed in relation to pharmaceuticals extensively within academia, the CURE bill posits a way to do so that does not greatly expand government. If successful, it could actually *decrease* the role of government by reducing the need to go ever deeper into a sea of red ink in order to pay for healthcare. It accomplishes this by using the savings to the state generated from the use of the prospective new drug to treat chronic conditions rather pay for ongoing treatments.

Further, it is important to note that it is critical that the private sector, not government, play the leading role in searching for solutions to these costly diseases. The CURE bill merely adds an additional incentive and does not takeover the role that should rightfully remain with America’s best and brightest minds residing throughout our nation’s research institutions and industry leading pharmaceutical companies.

¹ **NHE Fact Sheet**, Centers for Medicare and Medicaid Services, December 6, 2017.

² *Ibid.*

³ **Ohio Medicaid Reform**, Governor’s Office of Health Transformation, June 2017.

⁴ **Health Transformation Budget Priorities**, Governor’s Office of Health Transformation, April 27, 2017.

Finally, the mechanism envisioned in the CURE bill is a significantly better option for managing potential drug costs than government mandated price controls similar to that proposed in last year's Issue 2 campaign. In general, price controls erode, rather than enhance, the incentives needed to produce the type of innovation we all want to see in the marketplace.⁵

Thank you for your time.

⁵ Rea S. Hederman Jr., **How Medicare Price Controls Have Contributed to Drug Shortages**, The Buckeye Institute, October 30, 2017.