

H.R. 417 – The Medical Innovation Prize Fund Act

Summary by the Office of Rep. Sanders

Mr. Speaker: I wanted to share with you a summary of H.R. 417, legislation I recently introduced that would change the paradigm for financing medical R&D and pricing prescription drugs in the United States. Rather than rely on high drug prices as the incentive for R&D, the bill would directly reward developers of medicines, on the basis of a drug's incremental therapeutic benefit to consumers, through a new Medical Innovation Prize Fund. Prices for prescription drugs to consumers would be at low generic prices immediately upon entry to the market. By breaking the link between drug prices and R&D, we can provide more equitable access to medicine, end rationing and restrictive formularies, and manage overall R&D incentives through a separate mechanism that can be increased or decreased, depending on society's willingness to pay for medical R&D. The bill, by rewarding only truly innovative products that provide new therapeutic benefits to consumers, would also dramatically reduce wasteful expenditures such as those on research, development and marketing of "me-too" medicines.

Summary:

The current system for financing Research & Development of new medicines is broken. High prices are a barrier to access. Companies invest too much in non-innovative "me-too" products and too little on truly innovative medicines. Massive expenditures on marketing of products consume too many resources with very little if any net social benefits.

My legislation, H.R. 417, creating the Medical Innovation Prize Fund is an attempt to fundamentally restructure this system. It presents a new paradigm for R&D of new medicines. This is how it would work:

- The legislation would separate the markets for products from the markets for innovation. Products would become generics immediately after FDA approval.
- The innovators would be rewarded from a massive Medical Innovation Prize Fund (MIPF).
- The MIPF would make awards to developers of medicines, based upon the incremental therapeutic benefits of new treatments.
- The MIPF would also have minimum levels of funding for priority healthcare needs such as:
 1. Global infectious diseases
 2. Diseases that qualify under the US Orphan Drug Act
 3. Neglected diseases primarily affecting the poor in developing countries
- These pay-outs would take place over the first ten years of use of a medicine. The payments from the MIPF would always go to the developer of the new medicine, regardless of who actually sells the product to consumers.
- The legislation proposes to set the MIPF pay-outs at .5 percent of the national income of the United States (as measured by GDP).
- An independent Board of Trustees would manage the MIPF. Trustees would include key government officials, as well as persons from the private sector, representing industry, patient groups and medical researchers.
- Inventors would be free to obtain patents, and to use patents normally, until the FDA approves a new medicine. At that point, the patent owner would be remunerated from the MIPF, rather than from royalties on high drug prices.