OHIO LEGISLATIVE SERVICE COMMISSION

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Fiscal Note & Local Impact Statement

Bill: H.B. 345 of the 132nd G.A. **Status:** As Introduced

Sponsor: Rep. Butler **Local Impact Statement Procedure Required:** No

Subject: Adopts the Solemn Covenant of the States to award prizes for curing diseases

State & Local Fiscal Highlights

- The bill allows the Solemn Covenant of the States Commission to establish annual dues that would be required to be paid by a compacting state. If a Solemn Covenant of the States ("Compact") were established and Ohio was part of the Compact, the state of Ohio would pay the annual dues established.
- The bill requires a compacting state to annually pay its actual one-year savings in public health expenses for a disease for which a cure is accepted by the Commission until the state fulfills its prize responsibility. The state would be required to pay this amount. However, if the amount is based on a state's savings net any curative treatment, then there should be an offsetting reduction in health care expenditures associated with providing services to manage the disease or symptoms associated with the disease. If the cured disease is chronic and impacts many Ohioans, this reduction could be substantial. This savings will continue even after the state's prize responsibility is met.
- The state could receive royalty fee revenue from the Commission for making the cure available to noncompacting states and foreign governments.

Detailed Fiscal Analysis

The bill enacts into law the Solemn Covenant of the States ("Compact"), an interstate compact intended to award prizes for curing diseases. The bill provides that upon enactment by two states, the governing Compact becomes effective and binding. Upon enactment by six states, the Solemn Covenant of States Commission ("Commission") is established and becomes binding and effective. The bill grants the Commission the power to review treatments for the cure of diseases specified by the Commission, to award prizes for successful cures, and to make treatments widely available for use.

Rules and powers

The Commission must adopt rules establishing criteria for defining and classifying the diseases for which prizes will be awarded. Additionally, the Commission must adopt rules that provide a process for the Commission to review submitted treatments and therapeutic protocols for curing diseases. The Compact establishes several powers of the Commission, including adopting bylaws and rules, as well as making hiring decisions, enforcing compliance, etc. In addition, the Commission is granted the power to appoint committees, including management, legislative, and advisory committees.

The bill grants the Commission the power to establish a budget and make expenditures, borrow money, establish annual dues, and allocate a portion of these funds towards prize amounts. The Commission is permitted to accept contributions to fund initial operations and has the power to accept donations. Donations received must be kept in a separate, interest-bearing account. Additionally, the bill exempts the Commission from taxation in and by the compacting states.

Fiscal effect

The bill allows the Commission to accept contributions or donations and to establish annual dues that would be required to be paid by a compacting state. If a Compact were established and Ohio were part of the Compact, the state would pay the annual dues established.

Awarding prizes

The bill requires the Commission to adopt rules regarding prizes for curing diseases that establish at least ten major diseases for which to create prizes. Some factors that are to be considered include the severity of the disease, the survival rate, and the public health and treatment expenses associated with a disease. The rules must also include the criteria or therapeutic protocol that must be met to be considered a cure, but requires the following criteria: a 95% survival rate through at least five years after the treatment or protocol has ended and not more than one year of the treatment or protocol. The prize amount for each cure is to be equal to (1) the most recent estimated total five-year savings in public health expenses[1] for the disease in all compacting states, (2) money donated by others intended for the prize, and (3) any other factors the Commission finds appropriate. The bill requires the prize winner to transfer the patent and all related intellectual property for a treatment to the Commission in exchange for the prize. A prize will be awarded only to the first person or entity that submits a successful cure for a particular disease. Upon acceptance of a cure, the Commission is required to obtain a loan that is equal to the most recently calculated total estimated five-year public health expenses for the disease in all compacting states.

[1] The bill defines "public health expenses" as the amount of all costs paid by taxpayers in a specified geographic area relating to a particular disease.

Each compacting state is required to annually pay its actual one-year savings in public health expenses for the disease for which a cure has been accepted, until it has fulfilled its prize responsibility. The Commission must employ or contract with actuaries to calculate each state's one-year savings in public health expenses at the end of the year to determine each state's responsibilities for the succeeding year. The bill provides that a state entering into the Compact, except to the extent authorized by compacting states' laws, does not commit the full faith and credit or taxing power of the compacting state for the payment of prizes or make prize payment responsibilities a debt of the compacting state. The bill specifies that a state is permitted to meet its prize responsibility by any method including the issuance of revenue bonds and obligations or general obligation bonds and other debt. The bill specifies that revenue bonds are not a debt of the issuing state as the full faith and credit, revenue, and taxing power of the state are not pledged to the payment of debt service on such revenue bonds. The interest charged and the payment period would depend on the terms and conditions of the loan and/or bond.

Fiscal effect

If Ohio were part of the Compact and a prize was awarded, the state would be required to annually pay its actual one-year savings in public health expenses until it fulfilled its responsibility. This amount would depend on the disease cured and the public health expenditures related to the disease. However, if the amount required to be paid is based on a state's savings,[2] the state should realize an offsetting reduction in health care expenditures for providing services to manage the disease or symptoms associated with the disease. This reduction could be substantial if the disease is chronic and many citizens suffer from the disease. These savings would continue after the state's prize responsibility is met.

Availability of treatment

The bill grants the Commission the power to make a treatment widely available, including arranging for its manufacture, production, or the provision of the treatment. The bill also permits the Commission to collect royalty fees on manufacturers, producers, or providers in noncompacting states or foreign countries, as long as the fees are not more than the estimated five-year savings in public health expenses for that state or country. The Commission is permitted to pay or reimburse expenses related to payment of the prize with any royalty fees collected. These expenses include hiring actuaries, making interest payments, and other expenses related to the Commission's loan. If any of this revenue remains after paying for these expenses, the Commission is to refund compacting states based on the percent of the state's prize obligation.

[2] LSC assumes that the cost of any curative treatment would be factored into the calculation to determine a state's total savings.

Fiscal effect

As a result, a compacting state could realize a gain in royalty fee revenue.

Other provisions

The bill specifies the procedure for withdrawing from the Compact and for the dissolution of the Compact. The bill specifies that a state that withdraws remains liable for all responsibilities incurred through the effective date of the withdrawal. Additionally, if the Compact is dissolved, the Commission must pay all outstanding prizes awarded, as well as any other outstanding debts and obligations. The Commission's bylaws must include a mechanism for the equitable distribution of any surplus funds remaining after these debts have been paid.

The Compact provides that its provisions are severable; thus, if any part of a provision is deemed unenforceable, the remaining provisions will remain enforceable. The Compact also provides that it must be liberally construed to effectuate its purposes.

Fiscal effect

In the event of a state's withdrawal, the bill specifies that a state remains liable for all responsibilities incurred through the effective date of the withdrawal. Additionally, if the Compact is dissolved, the Commission must pay all outstanding prizes awarded, as well as any other outstanding debts and obligations. After these debts have been paid, if there are surplus funds, the surplus must be distributed in an equitable manner (the bill requires the Commission's bylaws to include a mechanism for the equitable distribution of any surplus funds).

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