

113<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 5790

To authorize the Director of the National Institutes of Health to design and enter into agreements for the implementation of prize competitions with the goal of improving health outcomes and thereby reducing Federal expenditures.

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## IN THE HOUSE OF REPRESENTATIVES

DECEMBER 3, 2014

Mr. YOUNG of Indiana introduced the following bill; which was referred to the Committee on Energy and Commerce, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To authorize the Director of the National Institutes of Health to design and enter into agreements for the implementation of prize competitions with the goal of improving health outcomes and thereby reducing Federal expenditures.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Health Prizes Reward-  
5       ing Innovation, Savings, and Effectiveness Act of 2014”.

1 **SEC. 2. PRIZE COMPETITIONS.**

2 (a) IN GENERAL.—Part B of title IV of the Public  
3 Health Service Act (42 U.S.C. 284 et seq.) is amended  
4 by adding at the end the following:

5 **“SEC. 409K. PRIZE COMPETITIONS FOR IMPROVING**  
6 **HEALTH OUTCOMES AND REDUCING FED-**  
7 **ERAL EXPENDITURES.**

8 “(a) GOALS.—The goal of the prize competitions  
9 under this section is to improve health outcomes, thereby  
10 reducing Federal expenditures on health programs.

11 “(b) INITIAL ACTIONS.—

12 “(1) IDENTIFICATION OF DISEASES AND CONDI-  
13 TIONS.—Not later than 6 months after the date of  
14 enactment of the Health Prizes Rewarding Innova-  
15 tion, Savings, and Effectiveness Act of 2014, the Di-  
16 rector of NIH, in consultation with the Director of  
17 the Congressional Budget Office, the Administrator  
18 for the Centers for Medicare & Medicaid Services,  
19 and relevant health economists, shall identify 3 to 5  
20 human diseases or health conditions with respect to  
21 which—

22 “(A) the Federal Government, for such  
23 diseases and conditions, collectively spends a  
24 total of not less than \$5,000,000,000 per year  
25 on prevention and treatment activities;

1           “(B) public and private investment in re-  
2 search is disproportionately small in comparison  
3 with such investment for other human diseases  
4 and conditions for which the Federal Govern-  
5 ment has similar or greater expenditures on  
6 prevention and treatment activities; and

7           “(C) the prize competitions under this sec-  
8 tion would be appropriate for achieving the goal  
9 described in subsection (a).

10           “(2) DESIGN OF PRIZE COMPETITIONS.—Not  
11 later than 12 months after the date of enactment of  
12 the Health Prizes Rewarding Innovation, Savings,  
13 and Effectiveness Act of 2014, the Director of NIH  
14 shall—

15           “(A) design prize competitions—

16           “(i) to cooperate with competitors to  
17 realize innovations to achieve the goal de-  
18 scribed in subsection (a) with respect to  
19 one or more diseases or conditions identi-  
20 fied pursuant to subsection (b); and

21           “(ii) to award one or more prizes—

22           “(I) if appropriate, at the begin-  
23 ning of or during the competitions, to  
24 the competitors whose innovations are

1                   most promising or demonstrate  
2                   progress; and

3                   “(II) at the end of the competi-  
4                   tions, to the competitors whose inno-  
5                   vations prove to be the best solutions;

6                   “(B) ensure that the design of such com-  
7                   petitions—

8                   “(i) is realistic, given the amount of  
9                   funds to be awarded as prizes;

10                  “(ii) does not reflect any bias con-  
11                  cerning the type of innovations which will  
12                  prove to be the best solutions;

13                  “(iii) allows any person to participate  
14                  as a competitor without regard to the per-  
15                  son’s place of incorporation, primary place  
16                  of business, citizenship, and residency, as  
17                  applicable; and

18                  “(iv) addresses areas of unmet need  
19                  with regard to a lack of recent and pend-  
20                  ing innovations; and

21                  “(C) submit to the Congress a report on  
22                  the design of such competitions.

23                  “(3) CONSULTATION.—In carrying out para-  
24                  graphs (1) and (2), the Director of NIH shall con-  
25                  sult with—

1           “(A) medical, economic, budgetary, innova-  
2           tion, and venture capital experts; and

3           “(B) the heads of relevant Federal agen-  
4           cies, including the Commissioner of Food and  
5           Drugs, the Director of the National Science  
6           Foundation, and the Administrator of the Small  
7           Business Administration.

8           “(c) SIMULATION.—The Director of NIH shall—

9           “(1) not later than 14 months after the date of  
10          enactment of the Health Prizes Rewarding Innova-  
11          tion, Savings, and Effectiveness Act of 2014, award  
12          one or more contracts—

13           “(A) to perform a simulation of the prize  
14           competitions to be conducted under this section,  
15           based on the designs developed under sub-  
16           section (b)(2) and in consultation with the cat-  
17           egories of experts and agency heads described  
18           in subsection (b)(3); and

19           “(B) to use the simulation to assess the ef-  
20           fectiveness of the design; and

21           “(2) not later than 4 months after awarding  
22          such one or more contracts, submit to the Congress  
23          a report on the results of the simulation and assess-  
24          ment.

1       “(d) ADJUSTMENTS TO DESIGN.—Not later than 21  
2 months after the date of enactment of the Health Prizes  
3 Rewarding Innovation, Savings, and Effectiveness Act of  
4 2014, the Director of NIH shall—

5           “(1) taking into consideration the results of the  
6 simulation under subsection (c), and subject to the  
7 requirements of subparagraphs (A) and (B) of sub-  
8 section (b)(2), make such adjustments to the design  
9 of the prize competitions under this section as the  
10 Director determines appropriate; and

11           “(2) submit to the Congress a report on any  
12 such adjustments.

13       “(e) IMPLEMENTATION OF PRIZE COMPETITIONS.—

14           “(1) IN GENERAL.—The Director of NIH shall  
15 enter into an agreement with one or more private  
16 entities to implement prize competitions based on  
17 the designs developed under subsection (b)(2), as ad-  
18 justed under subsection (d).

19           “(2) DURATION.—The prize competitions under  
20 paragraph (1) shall require competitors to dem-  
21 onstrate the effectiveness of their innovations over a  
22 period of not more than 5 years.

23           “(3) GUIDANCE AND ACCESS TO TESTING FA-  
24 CILITIES.—The Secretary and the Commissioner of  
25 Food and Drugs may cooperate with qualified com-

1       petitors in the prize competitions under paragraph  
2       (1) by providing guidance and access to testing fa-  
3       cilities.

4               “(4) NUMBER OF PRIZE COMPETITIONS.—The  
5       Director shall conduct—

6                       “(A) a total of not more than 5 prize com-  
7                       petitions under this section; and

8                       “(B) not more than 2 such prize competi-  
9                       tions with respect to any disease or condition.

10       “(f) TRACKING; REPORTING.—The Director of NIH  
11 shall—

12               “(1) collect information on—

13                       “(A) the medical efficacy of innovations  
14                       funded through the prize competitions under  
15                       subsection (e); and

16                       “(B) the actual and potential effect of the  
17                       innovations on Federal expenditures; and

18               “(2) not later than one year after the conclu-  
19       sion of the prize competitions under subsection (e),  
20       and not later than the end of each of the 4 suc-  
21       ceeding years, submit to the Congress a report on  
22       the information collected under paragraph (1).

23       “(g) INTELLECTUAL PROPERTY.—

24               “(1) PROHIBITION ON THE GOVERNMENT AC-  
25       QUIRING INTELLECTUAL PROPERTY RIGHTS.—The

1 Federal Government may not gain an interest in in-  
2 tellectual property developed by a participant in a  
3 prize competition under subsection (e) without the  
4 written consent of the participant.

5 “(2) LICENSES.—The Federal Government may  
6 negotiate a license for the use of intellectual prop-  
7 erty developed by a participant in a prize competi-  
8 tion under subsection (e).

9 “(h) AUTHORIZATION OF APPROPRIATIONS.—

10 “(1) IN GENERAL.—To carry out this section,  
11 in lieu of amounts authorized to be appropriated by  
12 section 402A, there are authorized to be appro-  
13 priated \$50,000,000.

14 “(2) MINIMUM PERCENTAGE FOR PRIZES.—Of  
15 the total assistance awarded to private entities under  
16 subsection (e) (including in-kind contributions and  
17 testing or other technical support) to implement any  
18 prize competition under this section—

19 “(A) not more than 30 percent of such as-  
20 sistance shall be for administration of the prize  
21 competition; and

22 “(B) not less than 70 percent of such as-  
23 sistance shall be awarded as prizes to competi-  
24 tors in the prize competition.”.



1 (b) PRIZES EXCLUDED FROM GROSS INCOME OF RE-  
2 CIPIENTS.—

3 (1) IN GENERAL.—Section 74 of the Internal  
4 Revenue Code of 1986 is amended by adding at the  
5 end the following new subsection:

6 “(d) CERTAIN PRIZES FOR IMPROVING HEALTH  
7 OUTCOMES.—Gross income shall not include the value of  
8 any prize received by the taxpayer pursuant to a prize  
9 competition under section 409K of the Public Health  
10 Service Act (as in effect immediately after the enactment  
11 of this subsection).”.

12 (2) EFFECTIVE DATE.—The amendment made  
13 by this subsection shall apply to taxable years end-  
14 ing after the date of the enactment of this Act.

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