HR 117-3437[i], the LOANS for Biomedical Research Act, Can Boost Development of Treatments and Cures for All Americans

A bipartisan bill introduced in the House can deliver much-needed financing to accelerate advancement of more promising treatments and cures into human studies for a broad range of urgent medical conditions including: cancer, Alzheimer's disease, rare pediatric syndromes, and blindness. HR 117-3437, the LOANS for Biomedical Research Act, would make loans available to researchers ready to move their emerging therapies into clinical trials. The legislation would accelerate research by removing barriers now blocking private financing for the development of treatments and cures and, at the same time, enhance U.S competitiveness and resilience.

Advancing biomedical research out of laboratories and into human studies has always been a formidable challenge. That's because private markets do not provide stable, long-term financing where it's most needed —at the early stages of patient-oriented biomedical research after entities like the National Institutes of Health (NIH) have funded the basic research that paves the way for human studies. Most investors — including venture capital firms and large biotechnology and pharmaceutical companies — primarily focus their investments on projects once there's strong evidence of a therapeutic effect in human studies. The result: many promising therapies struggle to make it out of academic labs and into clinical trials.

The historically steep rise in core inflation and interest rates over the past year has made this funding gap much worse. The market value for biotech firms has plummeted. The total enterprise value of publicly traded biotech companies has fallen from a peak of $598 billion (Feb. 8, 2021) to $191 billion (Oct. 14, 2022). That's a drop of 68%. Hardest hit have been the small and startup companies working to get their emerging therapies into the clinic. In fact, of the 214 companies whose equity value is trading below their cash value, 210 are biotechs (Oct. 7, 2022).

HR 117-3437 will provide tremendous help — in some cases, a lifeline — to startup and small biotech companies which have received authorization from the FDA to launch early stage clinical trials for their promising treatments and cures. The bill would authorize a limited federal guarantee for low-interest, long-term loans — loans that must be paid back — to these therapy developers. The loans would then be packaged into investment instruments known as BioBonds and sold on the open market to long-term investors such as insurance companies and pension funds.

Because the loans must be repaid , HR 3437 would have minimal impact on the taxpayer. The legislation would provide up to $10 billion a year for three years in guarantees for bonds comprised of eligible loans. The maximum loan amount for a given company would be $25 million to ensure broad access to the loans and diversity in the portfolio. Estimates based on the models used by the Congressional Budget Office indicate that $30 billion in guarantees for new loans for biomedical research would likely cost the taxpayer no more than $800 million at the most — far less than any equivalent amount of direct federal spending.

Furthermore, a key statutory requirement of HR 3437 is that loans only be made available to therapy developers addressing unmet or rare conditions — conditions that are all too often ignored by large companies that often focus only on big patient markets and high-priced drugs.

The BioBonds concept is modeled directly after the successful private-sector Green Bonds initiative that is boosting development of green and sustainable resources and technologies funded solely by private capital.

With a kickstart from federal guarantees, BioBonds could quickly open a wide swath of the private financial market to funding for high-impact biomedical research speeding treatments and cures for so much that ails us and our loved ones. Restoring American innovation in this vital field also promotes U.S. competition in one of the world's most critical sectors and insulates the nation from future incidents in which urgently needed treatments are suddenly unavailable due to supply-chain problems or national-security risks.

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[i] Bill number from 117th Congress and reflects previous bipartisan introduction