

I would like to welcome everyone to today's hearing titled, "Lost Opportunities for Veterans: An Examination of VA's Technology Transfer Program."

Let me begin by stating that the issues we will address today show how, despite VA's objections, it is critically important for this committee to look at both past and current failures of the department, in order to improve the future of Veterans' care. Without our investigative effort and our notice to conduct this hearing, VA would not have reviewed what we will talk about today. Moreover, VA would not be aware of the apparent exploitation of its technology transfer program from those inside the department. My concern is that the issues we will discuss today may not be limited to one researcher.

For those who are unaware, federal agencies are authorized to assert ownership in inventions made by federal employees using federal resources. VA's technology transfer program was developed as the mechanism to determine ownership and then to transfer the benefits of VA owned technology to veterans and the public through patenting and licensing. Unfortunately, this program appears to be habitually underused, resulting in tremendous losses to Veterans and taxpayers.

A glaring example of where the technology transfer program perhaps should have been used is in connection with the Hepatitis C drug, Sofosbuvir, which is claimed to cure up to 99% of those infected with this ultimately fatal disease. This drug, reportedly developed by a VA employee, resulted in an \$11 billion sale and \$440 million personal profit to the employee. However, VA appears to have nothing to show for it, except a bill from the drug's current owner, Gilead Sciences, for VA's use to treat veterans.

More than two hundred thousand Veterans have been diagnosed with Hepatitis C, and VA pays upward of \$40,000 for treatment for each Veteran infected with this virus. That is about \$8 billion to treat veterans with a drug reportedly developed using VA resources. During last summer's financial crisis, VA had to ask Congress for additional funds just to pay for the treatment. So the question is, why is VA paying so much?

What we know is the drug's reported creator, Dr. Raymond Schinazi, was a 7/8th VA employee when the Hepatitis C drug was developed. He worked at VA for more than twenty five years and retired shortly after we requested he testify. Dr. Schinazi is listed as a senior career researcher and has received hundreds of thousands of dollars in VA research funding. Yet, in a letter to me, dated February 1, 2016, the day of his retirement, VA asserts that no money was given to Dr. Schinazi for his research on the drug.

But, questions remain whether earlier research on a different drug was used in the development of the hep-c treatment. Additionally Dr. Schinazi filed patents while he was a VA employee, but he never disclosed these inventions and patents to VA. So how is it that none of his claimed lifesaving inventions belong to VA and our Veterans? Interestingly, as I mentioned earlier, I asked Dr. Schinazi to appear at this hearing, but after being requested to testify, he retired from VA, effective February 1 – two days ago.

Secretary McDonald rightly promotes VA as having invented many cutting edge technologies like the nicotine patch, the cardiac stent and the CT-scan, but in actuality, VA reportedly receives no credit and no revenue from these inventions because it did not assert an ownership interest. Although these inventions were developed prior to the inception of VA's technology transfer program, these lost opportunities should serve as lessons learned and, in the future, VA should be supporting and developing the program so that no other potential opportunities are lost. Our Veterans and taxpayers should be benefiting from these inventions. It is as simple as that.

VA oversees a \$1.8 billion research program. Yet, in FY 2014, it only received 304 invention disclosures, filed only twenty five patents, issued only fifteen license agreements and earned only \$375,674 in royalties. To put that in perspective, the National Institutes of Health has a \$3 billion intramural research budget and in FY 2014 received 370 invention disclosures, filed 153 patents, issued 222 license agreements and earned \$137 million in royalty income, or about 360 times more than VA's reported royalties. Similarly, the USDA has a \$1 billion research program and in FY 2014 received 117 invention disclosures, filed 119 patents, signed 412 license agreements and received \$3.6 million in royalty income or about nine times more than v-a's reported royalties.

This begs the question, why has VA not seemed to capitalize on the many research successes it claims? We have already seen the results of one potential lost opportunity regarding the new Hepatitis C drug. But, how many more are there and how many more will there be? If VA wants to take credit for tremendous medical accomplishments, it should have something to show for it, certainly more than just talk. Veterans deserve the right to reap the benefits of these inventions given the fact that they were created by employees and with taxpayer resources specifically designated for their use.