

ISSUE BRIEF

Diversity in Stem Cell Research # 2

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**What economic
issues arise with stem
cell research?**

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Economic Development and Stem Cell Research

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Introduction

What if a cure existed for cancer, diabetes, heart disease, blindness, HIV/AIDS, and many other debilitating diseases and illnesses? Adapted into state law in 2004, the California Stem Cell Research and Cures Act directs \$3 billion of state monies toward stem cell research to make such cures a reality. Also, the investment into biotech is predicted to create up to 22,000 jobs on average a year.¹

Despite such large economic and medical potential, these funds are currently managed by a governing board whose representation falls short of the diversity of the state. With such an investment into healthcare and employment opportunities, the underserved and minority communities of California must take action and voice their concerns in order to claim their share of the benefits promised by stem cell research.

To facilitate active and informed participation, this brief raises important policy issues related to stem cell research such as: *Who will receive the \$3 billion in the form of grants and jobs? How will the state reap the economic benefits promised by the California Stem Cell Research and Cures Act? How might the public and private industry create win-win situations to mutually profit from stem cell research?*

Diversity and the CIRM: Recipients of the \$3 Billion

Diversity among the California Institute for Regenerative Medicine's (CIRM) leadership and the recipients of CIRM grants is important to improving the health of Californians. To date, there are only 5 people of color and 7 women represented in the 29 member Independent Citizen's Oversight Committee (ICOC) the CIRM's governing board. With regard to the CIRM's career staff, only 3 of the 20 staff members are from underrepresented communities. Such scarce diversity in the CIRM's staff and leadership gives cause for concern that stem cell research in California may not be in the best position to address the diverse needs of the state.

With regard to the future generation of stem cell researchers, the direction of CIRM funds for research programs incorporating diverse individuals has the potential to increase the diversity in scientific leadership and the laboratories working on new technologies. Due in part to The Greenlining Institute's own advocacy work on diversity, the CIRM has adopted diversity policies in their Grants Administration Policy and specifically in their policies governing the training grant programs.

To date, the CIRM requires that each institution applying for a grant outline

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their program goals to encourage diversity amongst their researchers and trainees as well as requires each institution to provide the diversity data of their programs in an annual program report.² By reviewing each research institute’s own diversity report as part of every consequent training program review, the CIRM may more effectively persuade grant applicants to embrace measurable diversity commitments. This diversity data will in turn be made publicly available.³

Affordability and Economic Returns for the State

Amidst widening healthcare disparities across ethnic lines, the California Stem Cell Research and Cures Act promises to quell the growing costs of the state healthcare crisis through the development of cures rather than the maintenance of illnesses.⁴ However, the question still lingers as to how and in what form the state’s underserved will receive their fair share of the state’s \$6 billion investment.⁵

To date, policies require that institutes wanting to commercialize CIRM-funded therapies or diagnostics:

- Draft plans to provide access to resultant therapies and diagnostics for uninsured Californians.
- Assure that therapies and diagnostics to be purchased by the state will remain at a cost not to exceed the lowest Medicaid price—a provision that has historically provided discounts of over 40 percent for developed therapies.⁶

According to a study by the California Healthcare Foundation, over twenty percent of Californians are uninsured and of those, over half are Latino.⁷ Also, considering that over seventy-two percent of Medi-Cal program enrollees are people of color, these provisions will help guarantee that the state’s minorities have a better chance of affording the promised cures and medical diagnostics.⁸

To date, the CIRM mandates that if an institute were to commercialize and earn over \$500,000 in revenues from a CIRM-funded invention, that institute must give 25 percent of their revenues back into the state’s general fund. This provision will help ensure that tax-payers see a future return of their investment in stem cell research in the form of other state-sponsored programs. Should licensees not abide by these provisions, the CIRM reserves the right to interfere with the licensing and distribution of CIRM-funded projects and inventions should their grantees not meet these provisions. It is important, however, for the public to continue to monitor the CIRM’s use of this right to ensure that grantees are encouraged to develop the strongest programs for the low-income and uninsured of the state.

Balancing Private and Public Concerns

Critics argue that if private industry will be subject to providing these discounts and directing their revenues at cost to their own profits, then these companies will refuse to develop cures and diagnostics. This is a complex issue that requires finding the balance between maintaining industry participation in stem cell research and development as well as ensuring that future therapies and diagnostics are affordable. On one hand, if private industry is overly regulated by CIRM policies, then there may not be therapies and diagnostics manufactured at all. On the other hand, these provisions have the potential to guarantee that the low-income, underserved patients of California have the opportunity to afford the promised medical benefits.

While private industry representatives heavily criticize such provisions, California's priority should be to ensure that public monies support the development of *affordable* life-saving therapies. One way to strike a balance between the interests of the state and private biotech companies is to institute a community investment model for stem cell research. Community investment takes the form of :

- Creating opportunities for more jobs and contracts to minority and women owned businesses
- Philanthropic giving to community projects and initiatives
- Youth education and outreach programs in the sciences
- Increased public education on the biotech industry's purpose and role in California's economy and community

These community investment strategies are already being used by billion-dollar biotech moguls like Genentech and Amgen that direct large sums of money into programs that encourage careers in biomedicine and outreach to underrepresented populations. Rethinking the reinvestment of state-funded research in this manner should allow the CIRM to regulate such corporate practices in the consideration of future allocation of California's \$3 billion. For example, any potential recipient of a CIRM grant should demonstrate their commitment to reinvesting in California as part and parcel for being considered for a grant.⁹

Conclusion

The CIRM and private industry must acknowledge the potential in alternative ways of providing returns to the state's investment into stem cell research. Through the development of CIRM policies, California has an opportunity to develop win-win situations, where both the state and industry reap benefits.

California is in the position to take a leadership role in the drafting of policies that best extends these provisions of access and affordability—especially considering its position to be setting world precedence in stem cell research and development. Thus, although being in support of the often referred-to mantra of "faster cures," Californians should participate in the maintenance of these policies to ensure the promotion and development of "*fair cures.*"

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ENDNOTES:

1. Baker, Laurence, and Bruce Deal. Economic Impact Analysis Proposition 71 California Stem Cell Research Initiative. Analysis Group, Inc. Analysis Group, 2004.

2. "Interim Grants Administration Policy." California Institute for Regenerative Medicine. Feb. 2006. 19 Mar. 2006
<http://www.cirm.ca.gov/meetings/pdf/2006/02/021006_item_17.pdf>.

3. For example, the California Public Utilities Commission, in General Order 156, mandates that utility companies in California disclose the breakdown of their supplier contracts to minority owned businesses and considers this data in the event of a corporate merger or acquisition.

4. Proposition 71. Section 1.

5. According to the Legislative Analyst's Summary, Proposition 71 will cost the state an estimated 6 billion dollars over 30 years to pay off the principal 3 billion and interest on the bonds.

6. Interim IP Policy for Non-Profits

7. "Snapshot of the Uninsured." Ethnicity of the Uninsured. 2003. California Healthcare Foundation. 19 Mar. 2006

8. "Access Chart: Medi-Cal Subscribers (California as of January 2005)." California Pan-Ethnic Health Network. Cpehn. 19 Mar. 2006
<http://www.cpehn.org/accesschartdetail.php?btn_viewchart=1&view_70.x=40&view_70.y=15&view_70=Get+Statistics%21>.

9. A similar model has been successful at the federal level for financial lending institutions through the Community Reinvestment Act of 1977 that encourages financial institutions to demonstrate their commitment to the needs of their low-income customers.