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We Get No Bang for Our Healthcare Buck

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Recently, the Peterson-Kaiser Health System Tracker has put together a series of charts that show how the US stacks up with the rest of the world in health care prices. And we come out looking very bad, and really expensive.¹

They looked at the cost of several different drugs and our costs were two to three times higher than anywhere else: \$213 for Nexium in the US vs \$60 in Switzerland or \$23 in the Netherlands. This is the same drug, but for some reason it's three and a half times more expensive in the US. In the US in 2013, Nexium registered \$6.2 *billion* in sales, whereas it would have been only \$663 million had we been charging what they charge in the Netherlands. In the US, even the cost of so-called generic drugs is soaring. One half of the generic drugs on the market went up in price over the past year, and another 10% doubled in cost.² An example of the insanity of drug prices are the cost of generic digoxin, a drug that has been around since the 1750's, has gone up to \$187 for a 90 day supply, while its brand name Lanoxin sells for \$24.30 in Canada.³ The United States has the highest drug costs in the world.

The same holds true for imaging technology: \$1,100 for an MRI in the US vs \$461 in the Netherlands or \$154 in Spain. A \$900 CT scan in the US would cost only \$100 in Canada or \$430 in Switzerland.

Surgery in the US is also hugely expensive: \$26,500 for a hip replacement in the US vs \$11,500 for the exact same surgery in the Netherlands. A \$14,000 appendectomy in the US would have only cost \$5,000 in the Netherlands or \$6,600 in New Zealand.

Last Night (June 20) *60 Minutes* re-ran a story about the exorbitant cost of cancer drugs in this country. They didn't do a comparison with European drug prices, but I have. The average

retail price of 29 cancer drugs in Europe was 10% lower than the average *wholesale* price in the United States.⁴ These are the exact same drugs made by the exact same company.

What was really crazy was that Sanofi immediately cut the price of one of their cancer drugs in half, after an editorial in the *New York Times* excoriated them for predatory pricing. So all this nonsense about how much it costs to bring a drug to market, is a lot of baloney. Most big drug companies don't really do much R&D anymore. They let the smaller biotech firms take all the risk, and then they use their marketing clout to work out a deal with the smaller firm to actually market the drug after it gets close to FDA approval.

Medically induced bankruptcy is the leading cause of individual bankruptcy in the United States, accounting for approximately 2/3 of all personal bankruptcies, and these numbers seem to be increasing.⁵ Over half of the people who had declared medical bankruptcy stated that drug costs were the primary factor.⁶

Almost every country in the industrialized world has a central government body that negotiates prices with hospitals and drug manufacturers to keep prices down. Here in the US, where we have no such agency, every insurance plan negotiates individually with hospitals, doctors and pharmaceutical companies to set their own prices. Insurers in the United States don't, get a bulk discount. Instead, our fragmented system means that Americans pay more for every type of health care. So not only are we held hostage by predatory, avaricious insurance companies, we're also in thrall to the greed of Big Pharma.

If we're ever going to get a handle on the soaring cost of medical care in the United States, we absolutely must gain the upper hand in setting prices for drugs and services, and this can only be done on a national level. However, there's no political will there. As part of the 2004 Medicare reform act that provided a drug plan for seniors, Medicare was specifically prohibited

by law from negotiating drug prices. That's just insane.

There are currently more than 50 million Medicare recipients in this country. That is a huge block of people that can bargain for a good deal. In 2013, Medicare spent \$103 billion, under Part D, for medications for 36 million people. If Medicare could negotiate even a 10% discount in drug prices the cost savings would amount to more than \$10 billion. And, with 50 million members, I'm sure that they could probably negotiate a much greater discount.

People who have been reading my rants over the years know that I'm no friend to the insurance industry, but what we're seeing here is lack of national policy that allows both the pharmaceutical industry and healthcare facilities to exploit the fragmented multiplicity of insurance plans and this lack of financial oversight. Tom Sackville, chief executive of the International Federation of Health Plans says, "You could say that American health care providers and pharmaceuticals are essentially taking advantage of the American public because they have such a fragmented system. The system is so divided, its easy to conquer."⁷

Since the Republicans in Congress are so Hell bent on cutting taxes and redistributing wealth to the wealthy, shouldn't the rest of us be getting much more bang for the nation's dwindling tax revenues? Since this has nothing to do with "Obamacare" it should be a no brainer for the Republicans: spend our tax dollars more wisely, and they can still feed the rich, off the savings.

Notes

1. Sarah Kliff "The real problem for American health spending, in 2 charts" *Vox: Policy & Politics* June 4, 2015 <http://www.vox.com/2015/6/4/8730281/america-health-costs-charts>

2. Elisabeth Rosenthal "Lawmakers Look for Ways to Provide Relief for Rising Cost of Generic Drugs" *The New York Times* November 24, 2014

3. Ibid

4. Ibid

5. David U. Himmelstein, MD, Deborah Thorne, PhD, Elizabeth Warren, JD, Steffie Woolhandler, MD, MPH. "Medical Bankruptcy in the United States, 2007: Results of a National Study." *American Journal of Medicine*, 2009.
http://www.pnhp.org/new_bankruptcy_study/Bankruptcy-2009.pdf.

6. Ibid

7. Kliff op cit