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THE THREAT OF HEALTH CARE RATIONING & THE DENIAL OF LIFESAVING DRUGS - Part 2

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Last month we considered the demographic, political, and cultural trends that threaten our own right to life—especially as we approach old age. Now we need to look in more detail at the political trends.

The threat here is two-fold: (1) a movement to repeal current provisions in the law that allow Medicare recipients to add their own funds to a government contribution in order to purchase private, un-rationed, and unmanaged health insurance, (a topic for another column); and (2) attempts to have the government—not your insurance company—"negotiate" the price of the drugs purchased from the pharmaceutical industry.

As to the latter, Congress already has already taken the first steps. On January 12, 2007, the House of Representatives passed H.R. 4 by a vote of 255 to 170. (Twenty-nine votes short of a veto-proof majority.) H.R. 4 would make government the sole agent "negotiating" with the pharmaceutical industry about drug prices for Medicare's Part D.

This may sound good but is, in fact, a very dangerous de-velopment, because your access to newer drug treatments would be severely limited.

The false argument is made that the government as the largest "customer" has the most clout in negotiating prices for prescription drugs, hence patients will be better off. Yet you will not be better off. Let us consider the details.

* When the government is the sole negotiator it does not really negotiate: it sets prices. The pharmaceutical industry can then "take it or leave it." And when it comes to the newest and most effective drugs, the industry typically "leaves it"—and you the patient must do without such medications. In a free country, the government can't, in effect, confiscate the drug industry's products at prices that make their production unprofitable. Under such a regimen, the government "negotiates" you right out of access to lifesaving medications.

* We actually know from experience what happens when the government is the sole negotiator for drug prices (for the drug formulary of the Veterans Administration) and when it is not (for the drugs available under Medicare's Part D).

What are the results of the two experiments?

(1) The Veterans Administration (VA) benefit offers only about 32% of the drugs available under Medicare's Part D. To say it still another way, the VA denies access to 68% of drugs available (on average) under the Medicare Part D plans.

(2) The VA drug formulary has only 38% of the drugs approved during the 1990s and 19% of drugs approved since 2000. Thus the government, as the sole negotiator, in effect denies you access to newer drugs. Under Medicare's Part D, seniors can choose among many different

plans offering varying degrees of access to new drugs. Typically, new drugs are more effective, reduce hospitalization (and thus save money in the long run), often provide treatments that are not possible with older drugs, and may have fewer side effects.

(3) Under Medicare's Part D, 24 million seniors have a large number of choices as to what kind of health plan they want for drug coverage. A single government-imposed drug formulary, as in the VA system, gives you no choice. Eighty percent of Part D participants say that they are satisfied with the program, whereas one million veterans have chosen to join Plan D instead of staying with the VA formulary. That one million is 26% of those eligible to receive drugs under both the VA and the Medicare plans.

(4) Consumer choice among competing drug benefit plans leads in turn to competitive price negotiation between private insurers and the drug industry rather than price setting by government. The result has been a decline in costs under Part D: an average monthly premium of $23 in 2006 and $22 in 2007, instead of the originally projected $37.

(5) The life expectancy of male veterans increased, with the rest of the population, until 1997. After the introduction of the new VA formulary, the life expectancy stopped increasing, while it continued to increase for other males.

* Is access to new drugs really important? Consider this:

(1) From 1980 to 2000, life expectancy increased 4%. Of that, 40% was estimated to be due to new drugs (Prof. Lichtenberg, Columbia University).

(2) Death rates (per 100,000) declined from 1039.1 in 1980 to 872 in 2000, a drop of 16 % (Centers for Disease Control and Prevention).

(3) Disability rates (per 100) were reduced from 26.2 in 1982 to 19.7 in 1999, a decline of 24.8% (Prof. Manton, Duke University).

(4) The number of hospital days fell from 129.7 in 1980 to 56.6 in 2000, a reduction of 56.4%.

(5) An extra outlay of $18 for new medications resulted in an "overall health care saving" of $111 (Prof. Lichtenberg, Columbia University).

(6) A 1980 projection for future needs of nursing home beds estimated a tri-fold increase. In fact, the number of nursing home beds today is about the same as in 1980.

* Why are drugs cheaper in other countries? Mostly due to governmental price controls. The more governments limit drug prices, the less access patients have to new drugs—and the less drug companies develop them. The majority of patents for new drugs are submitted in the United States. When the U.S. drug industry was threatened with price controls under Hillary Clinton's misguided health care plan, the research and development spending for new drugs dropped from 14% to 6%. It didn't recover until that plan was defeated.

* Those who complain about the "obscene profits" of the drug industry should contemplate what "chaste losses" would do to the development of new drugs (and your health and life). Today it costs about $800 million to develop a new drug. Only five in 10,000 investigated compounds reach clinical testing for effectiveness and safety. Of five drugs clinically tested, only one will be approved for patient use. And only three out of ten approved drugs will exceed the cost of developing them. But without substantial profits, investors will not take on the

expensive undertaking of drug development. In the United States they can make this undertaking.

Be glad that you live in this country—and fight most strenuously for your right to have access to lifesaving drugs.