A fairer prescription plan

P
ccription drug spending rose
twice as fast as other health
spending during the 1990s.
That's one reason Massachu-
setts HMOs just cut drug benefits for
people on Medicare. And many costly
new drugs have yet to hit the market.

How will we pay for the drugs that
could save our lives? We'll either spend
more or make real reforms. Spending in
Massachusetts is already enough to buy
all the medications needed to save lives or
fight pain and disability.

High drug prices are a problem for
many of the state's 5 million residents
with some prescription drug coverage
and most of the million - uninsured,
seniors, and others - without it.

Americans pay the world's highest
prescription drug prices, drug manufac-
turers admit. The makers of 151 widely
used medications charged 32 percent
more in the United States than in Can-
da. Our prices are still farther above
those in Sweden, Britain, Australia, and
other wealthy nations.

But American prices should be low-
est since we have the most buying pow-
er. Ending our underground foreign aid
subsidy to wealthy nations would save
$20 billion to $40 billion yearly, many
times the real $7.6 billion in bilateral
non-military foreign aid that Congress
voted to needy nations in 1999. When
American prices fall, drug companies
will have to push other wealthy nations
to pay their fair share for research.

Drug manufacturers here say they
invest heavily on research, so Ameri-
cans must pay extra. But US firms don't
invest more. Their share of the induc-
ty's research worldwide is proportional
to our population and smaller than our
share of health spending. And it is
wrong to reverse research on potential
future cures while sacrificing Americans
who cannot afford existing cures.

Even after research costs and taxes,
one-sixth of drug companies' revenue is
profit - three times the average profit-
ability for the 36 other Fortune 500 indus-
tries. We must worry more about
patients' health and less about drug
companies' health.

How to make drugs more affordable
in Massachusetts? First, what not to
rely on: fighting for lower prices for one
group of people or one class of drugs is
pointless. Manufacturers will raise
prices for other people or drugs - as
they do to uninsured people and others
without bargaining power today.

Drug makers' voluntary programs
give only selected drugs free to some
low-income people, while giving doctors
plies of paperwork. And voluntary nego-
tiations would lack enough buying pow-
er to obtain substantial price cuts, but
could easily run afoul of antitrust laws.

The inevitable inadequacy of these ef-
forts would make people cynical.

Some people suggest spending cigare-
nette tax, tobacco settlement, state sur-
pluses, or other public money for medi-
cations as a stopgap. But they recognize
that throwing more money at drug com-
panies will soon bankrupt us all.

Any real solution requires lower
prices for all drugs for all people. One
workable approach would unify the
roughly $2.5 billion in statewide outpa-
tient prescription drug buying power to
help everyone.

In the past, HMOs and others won
price discounts and rebates for them-
selves. Now, the state's prescription
drug buyers, pooling their purchasing
power in a public-private partnership,
should negotiate discounted prices from
manufacturers for us all. (All trust laws
mean that this requires government ac-
tion.) Since health spending in Mas-
sachusetts is twice Sweden's and equals
Australia's, for example, the entire
state's drug purchasing power is enough
to win deep discounts.

Drug makers also would pay rebates
into a new state trust fund, used to buy
drug prices for people who can't
afford them. Almost all rebated money
will recycle back to the manufacturers,
whose extra cost for making a few more
pills is tiny for most medications. A rea-
sonable rebate could yield at least $500
million yearly to expand coverage with-
out raising taxes or drug prices.

Does this plan interfere with the
free market? No. There is none for pre-
scription drugs. Today, government-
grandated monopolies (patents) spur inno-
vation but also let drug makers charge
what they choose.

All other countries recognize that
government action must offset that price-
ing power to make drugs affordable. If
New Hampshire can control the price
and distribution of all liquor, states
surely could intervene on price alone to
assure access to vital medications.

Who would be hurt by this plan?
Drug manufacturers, a little, because
they would forgo some profit growth
and have to negotiate harder with other
ations. But who would win? All who
now buy drugs - patients, workers, and
employers (especially for retiree cov-
verage). Programs paying for medication
- HMOs, insurers, and Medicaid - would
see lower prices and less public outrage.
Many people would receive medications
they can't now afford. And we all can
win a victory for competence and com-
passion.

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