MASSPIRG Interview

Alan Sager, Co-Director of Health Reform Program

Alan Sager is a professor at the Boston University School of Public Health, School of Medicine, where he has taught since 1983. His courses on health finance, planning and administration have won eight awards, and Sager received the School's teaching prize in 1998. With his colleague, Deborah Soczar, Sager directs the Health Reform Program (www.healthreformprogram.org). He has testified six times before congressional committees on urban hospital closings and prescription drug reform, and before eight states' legislative committees on various topics.

Dr. Sager holds a B.A. in economics from Brandeis and a Ph.D. in city and regional planning (specializing in health care) from MIT.

We've heard a lot lately about the high cost of prescription drugs. How bad is the problem and how does it affect the public?

U.S. drug prices are the highest in the world by far. If we paid Canadian prices for brand name drugs, for example, we'd have saved $60 billion nationally in 2004 alone. In Massachusetts, we'd have saved over $1.5 billion.

The gap between U.S. prices and those in other nations is widening steadily. In 2000, we were 60 percent above the average in six other wealthy nations. In 2003, we were 81 percent above the average.

Why are prescription drug prices so high?

All other nations have governments that directly or indirectly control drug prices. Some have simple price controls. Others regulate profits, which holds down prices. Many still require breakthrough research to develop tomorrow's drugs, two jobs that have to be done separately.

To make today's drugs affordable, governments should act to cut prices. But that's not the end of the story. When prices are lower, more people can afford to fill their prescriptions—with their own money or with private health insurance.

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Drug makers insist that a free market sets their prices in the U.S., and that other countries unfairly cut prices through government regulation. That's not true. There's no free market for brand-name drugs anywhere in the world. Drug makers are granted government patents. These allow a manufacturer to fix the price to maximize revenue. That's a monopoly, not a free market. In most of the big therapeutic categories—like statins for high cholesterol, beta-blockers for hypertension, and antidepressants—four companies control over 80 percent of the prescriptions. That's not a free market, either.

In the real world, Americans have only three choices. One is to continue to suffer pain, disability and early deaths because many of us can't afford our medications. The second is to keep paying more and more money to drug makers. The third is reform.

How do you respond to the drug industries' claims that if we lower drug prices—or pass any drug price reforms—consumers won't get new life-saving and enhancing prescription drugs?

The challenge is to win both affordable prices for today's drugs and also, Medicaid and Medicare will be able to expand eligibility and to cut out-of-pocket payments. In response, use of medications can rise to replace all of the revenue that drug makers lost from the price cut. This could even be guaranteed. And the drug makers could also be paid the tiny added cost of making more pills. The result? All Americans can afford their medications, but drug makers' profits and ability to finance research are intact. Lower prices are the key.

We need to devise ways to generously reward breakthrough research. Too many drug makers have been avoiding risk, instead devoting almost one-half of their research to profitable copy-cat or me-too drugs that cash in on other drug makers' good ideas.

In your view, how can groups like MASSPIRG win the fight for lower and fairer prescription drug prices?

MASSPIRG has done great work to show citizens of Massachusetts how high our drug prices are and to point the way to practical solutions. This is the right combination. It inspires us all to work harder to win affordable medications and spur breakthrough research.