

Verbal Testimony on S. 375

The Safe and Affordable Prescription Drugs Act

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As always, we testify and write only for ourselves, not on behalf of Boston University or any other party.

1. Winning affordable prescription drugs for everyone is the easiest problem to fix in Massachusetts—not easy, just easier than all the others

First, that's because we spend so much already. Americans give the world's drug makers one-half of their world-wide revenue, over \$250 billion this year.

Second, because of the very low marginal or incremental cost of making more pills, we can cover everyone without hurting drug makers' profits or their research.

Prescription drug spending in Massachusetts will be about \$5 billion this year. That's about as much as Denmark plus Sweden spend, and they have double our population and cover everyone.

The choice you face is between continued human suffering for lack of needed meds, spending even more on drugs, and reform—abandoning business as usual.

Lower prices are essential to making medications affordable for all Americans. This bill, S. 375, would promote and facilitate purchasing safe and lower-priced drugs from Canada. We therefore urge you to support it.

2. Buying lower-priced drugs from Canada is safe. It will relieve suffering. And it will not hurt drug makers' profits or research.

Drug makers and the FDA claim that buying drugs from Canada is dangerous, would hurt drug makers, and would therefore cripple breakthrough research. They are wrong on each count. Please don't let PhRMA's Fog of Fear blind you to real opportunities to do better. Besides, PhRMA knows that their high U.S. prices can't last much longer. But they want to bring in a few more rich harvests.

Importing from Canada would actually boost drug makers' profits if 45 percent or more of the imported drugs are new prescriptions. Further, our written testimony and other analyses show that high drug prices have actually become the enemy of breakthrough research.

3. Importing makes sense for now but, looking further ahead, it should not be necessary to wash our pills in Canadian laundromats to get them clean. Our written testimony describes two methods of winning lower drug prices.

One would pay marginal cost for additional prescriptions. We testify that a 20 percent rise in prescription drug use in Massachusetts, from 70 million to 84 million prescriptions yearly, could address unmet needs for medications. This rise can be financed by spending an additional \$101 million yearly to cover actual added costs of making and dispensing the additional prescriptions. This sum equals less than four months' rise in current spending on prescription drugs in Massachusetts.

A second method would establish a single Massachusetts buyer for all prescription drugs used in the state. It would negotiate lower prices but these would be offset by higher volumes. Drug makers' profits would be intact. And they would no longer need to fear price controls. Most important, all patients would receive needed and effective medications at an affordable cost.

This approach to winning affordable medications for all residents of Massachusetts illustrates a better approach to offering health insurance to everyone who's now uninsured.

4. U.S. health costs are out of control

Earlier this year, we found that rising health costs absorbed one-quarter of the growth in the nation's economy during the past five years. U.S. health care is not durably affordable.

Others agree.

“If there’s one thing that can bankrupt the country, it’s health care. It’s out of control.” (U.S. Comptroller General David Walker, Reuters, 19 May 2005.)

“Everybody’s getting poorer because of health care.” (Michigan State University Richard Block, cited in Michael Ellis, “GM Deal: Cries of Pain Mix with Sighs of Relief,” *Detroit Free Press*, 21 October 2005.)

5. And Massachusetts leads the way

As shown in our chart on Massachusetts health care realities, Massachusetts has the nation’s costliest health care—27 percent above the U.S. average, and therefore the world’s costliest care.

We’d save over \$11 billion this year if we spent at the national average. And the national average is double what other wealthy nations spend. They live longer and cover everyone. And they’re happier with their care.

High health costs afflict everyone who lives, works, or does business in Massachusetts.

Hospitals, drug makers, HMOs, and insurance companies can advertise in newspapers about their need for more money for business as usual. But we can’t afford it.

And we absolutely don’t need more money to cover everyone with full benefits. Or to protect all needed hospitals, doctors, nursing homes, and other caregivers. That’s because one-half of our health spending is wasted on unnecessary care, administration, excess prices for drugs and other items, and outright theft.

This means that health care waste is about as big as the state budget, about \$26 billion this year. Squeezing out this waste and recycling it will allow us to contain cost and offer complete first-dollar coverage to everyone resident.

Our health care could crash through the windshield of the next deep recession. We have to get serious about cost control by cutting waste. And we have to improve coverage at the lowest possible added cost.

At the same time, we have to offer real coverage by combining competence with compassion. There is a real opportunity to begin by making medications affordable for everyone in Massachusetts.