Took us 7 years to research and write.

Covers the entire waterfront of topics:

- Drug prices
- Surprise bills
- Fraud, waste, and abuse
- Hospital charges
- Etc.

Starts with a foreword by a former Dean of the Harvard Medical School.

Available on Amazon and at some local bookstores—and it’s cheap!
How We Pay For Most Things
How We Pay For Health Care
The Result:
The Prices Are Too Damn High!

RESEARCH ARTICLE
HEALTH AFFAIRS > VOL. 22, NO. 3

It’s The Prices, Stupid: Why The United States Is So Different From Other Countries
Gerard F. Anderson, Uwe E. Reinhardt, Peter S. Hussey, and Varduhi Petrosyan

RESEARCH ARTICLE
COSTS & SPENDING
HEALTH AFFAIRS > VOL. 38, NO. 1: SUBSTANCE USE, PAYMENT & MORE

It’s Still The Prices, Stupid: Why The US Spends So Much On Health Care, And A Tribute To Uwe Reinhardt
Gerard F. Anderson¹, Peter Hussey², and Varduhi Petrosyan³
The Result:
High Prices for Services of No Value!
The Result:
Providers Are Consumer Unfriendly!

December 6, 2018

Welcome to our modern hospital
where if you want to know a price
you can go fuck yourself

by Alex Baia

McSweeney's
Daily humor almost every day.
Everyone Knows Martin Shkreli

- Raised the price of Daraprim from $13.50 per pill to $750.
- Became the face of pharma greed.
- Convicted of securities fraud.
Shkreli Played An Established Game

- **Generics**
  - Colchicine (9¢ to $4.85)
  - Tetracycline (5¢ to $11)
  - Clomipramine (22¢ to $8.17)
  - Captopril (price rose by > 2,700%)
  - Albuterol Sulfate (price rose by > 3,400%)
  - Doxycycline (price rose by 6,300%)

- **Branded**
  - Harvoni
  - Oncology Drugs
    - Per OIG (2018): “Total reimbursement for all brand-name drugs in Part D increased 77 percent from 2011 to 2015, despite a 17-percent decrease in the number of prescriptions for these drugs.”

- **Biologics**
  - Insulin
To fight high drug prices, Utah will pay for public employees to go fill prescriptions in Mexico - The Salt Lake Tribune
A Few (More) of The Problems With Our Health Care System

- Open-ended reimbursement for patented pharmaceuticals, regardless of price.
- Excessive use of medical treatments. Providers’ conflicts of interest.
- The routine delivery of ineffective and unproven treatments.
- Games that providers play to maximize their revenues.
- Charges that bear no relation to costs.
- Surprise bills and other out-of-network rip-offs.
- Widespread quality problems tied to dysfunctional business models. Political corruption.
- An ocean of fraud.
Fraud, Waste & Abuse: $1 Trillion + Annually

- All Fraud, Waste, and Abuse:
  - 30% IOM (2012, using 2009 data)
Major Causes of Dysfunction

- Third party payment
  - We use insurance the wrong way
- Political control of health care spending
  - Tax subsidies, mandates, limits on market entry (licensure and CON)
- The political economy of health care
  - Medicine corrupts politics/regulatory policy
  - Politics/regulatory policy corrupt medicine
Figure 15-1: The Less We Rely on Ourselves, the More We Spend: Relationship between Direct Financial Responsibility for Medical Expenditures and Per Capita Health Spending

Blind Alleys and Lost Causes: Single Payer

- Which single payer:
  - Medicare?
  - Medicaid?
  - VA?

- High on-budget costs
  - Best case scenario: $33 trillion in new spending over 10 years – or 18-20% of GDP.
    - Assumes a 40% cut in payment levels

- Advocates are willing to dramatically increase taxation and government spending – but what about the voters?
  - Vermont, California, and Massachusetts?
Is Medicare Efficient? The Standard Measure of (In)Efficiency

- Medicare costs about 1.5% to administer:
  - Divide administrative expenses ($9B) by total Medicare spending ($679B) = 1.4%

- This is a bad/misleading measure:
  - Suppose Medicare doubled what it paid for the exact same services (i.e., over-paid 2x).
    - Total spending is now $1.358T; administrative expenses still $9B; ratio is now 0.66%

- With this measure, overpaying makes Medicare seem to be more efficient.

THAT CAN’T BE RIGHT.
A Better Measure of (In)Efficiency

- How much does Medicare spend to deliver $1 in appropriate care to a beneficiary?

- Berwick & Hackbarth’s estimate: Fraud, Waste & Abuse = 33% of health spending.
  
  - Total budget = $679B, less $226B in FW&A, means appropriate spending = $453B
  
  - Ratio = $235B/$453B = 52%

- Medicare spends 52¢ to deliver $1 in appropriate care.
If (Germany, Japan, Switzerland, ...) Can Do It, Why Can’t We?

“Relative to governments in other developed countries, the U.S. government appears to be unusually subject to pressure from special interests and uniquely incapable of rationing. It also often behaves as though it is run by idiots.” (Silver & Hyman, 2018)

Example:

In 1990, Norway created its “Government Pension Fund Global … to invest the surplus revenues of the Norwegian petroleum sector. It has over US$1 trillion in assets … In May 2018 it was worth about $195,000 per Norwegian citizen.”

In 2018, the gross federal debt amounted to $65,600 per capita.
What Should We Do?

- Focus on making health care cheaper – not on expanding insurance coverage.
  - Encourage market entry and competition.
  - Rely more heavily on self-pay, with insurance reserved for true catastrophes.
- For (branded) pharmaceuticals, use prizes rather than patents.
- For (generic) pharmaceuticals, FDA reform.
- Exploit federalism
- Fix the tax subsidies
- Subsidize those in need by giving them $$, not coverage.
Where Do We See Low Prices and Transparent Pricing?

- Retail Clinics
- Lasik
- Cosmetic surgery
- Vasectomies
- Surgical Center of Oklahoma, http://surgerycenterok.com/pricing/
- Medical tourism
When We Stop Treating Health Care Like It Is Special, Things Will Improve. In Some Ways, They Already Are!