

Nurses' guide to single-payer reform

Winning affordable prescription drugs for Massachusetts

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Prescription drug spending in Massachusetts in 2005 was about \$5 billion. That about equals drug spending in Denmark plus Sweden, yet they have double our population and cover everyone.

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 half their world-wide revenue, more than \$250 billion this year. Second, the very low actual cost of making more pills means we can fill our unmet needs affordably, and without hurting drug makers' profits or their research.

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

Lower prices are essential to making medications affordable for all Americans.

State action on imports

What can the state do? One strategy for cutting prices is importing. Proposed legislation in Massachusetts, Senate Bill 375 (Sen. Barrios), would promote and facilitate purchasing safe and lower-priced drugs from Canada.

Drug makers, their industry association (PhRMA) and the FDA claim that buying drugs from Canada is dangerous, would hurt drug makers, and would therefore cripple innovative research. But they are wrong on each count. Buying lower-priced drugs from Canada is safe, will relieve suffering and won't hurt drug makers' profits or research.

Importing from Canada actually would boost drug makers' profits if 45 percent or more of the imported drugs are new prescriptions, a 2004 Health Reform Program study documented. Further, high drug prices have actually become the enemy of breakthrough research. Drug makers now rely excessively on a very conservative strategy of me-too

drugs, mergers to cut competition, and marketing/advertising. Industry observers estimate that almost half of PhRMA members' research goes to me-too drugs. Drug makers now act less like innovators and vigorous free market competitors than high-price, low-volume members of restrictive medieval guilds.

Other strategies

Importing makes sense for now but, looking ahead, we should not have to wash our pills in Canadian laundromats to get them clean. Nationally, straightforward steps could make a truly comprehensive Medicare prescription drug benefit affordable (see, for example, "New Strategies Can Finance an Affordable and Comprehensive Medicare Drug Benefit," www.healthreformprogram.org, 2004).

Massachusetts could also act to make prescription drugs affordable for all. Consider the following two ways to win affordable drug prices for Massachusetts, approaches also useable nationwide.

In one approach, the state and drug makers would forge a prescription drug peace treaty, with lower prices to private and public purchasers offset by higher volume. The state would commit to pay drug makers their incremental cost of providing the additional prescription drugs that Massachusetts residents need.

Once the research is done and the factory is built, the added cost of making more pills is very small. If we paid standard prices for a big rise in prescription drug volume, that would far exceed the added manufacturing cost, so programs to improve access to medications, such as Medicare's new Part D, would likely bestow undeserved windfall profits on drug makers.

A rise of 20 percent in prescription drug use in Massachusetts, from 70 million to 84 million prescriptions yearly, might well address unmet needs for medications. The actual added costs of making and dispensing those additional prescriptions would be only about \$101 million yearly—less

than four months' rise in current spending on prescription drugs in this state. Paying such a sum could cover drug makers' and pharmacists' increase in costs, and get all Massachusetts residents the additional medications we need.

A single prescription drug buyer

A second method would establish a single Massachusetts buyer for all prescription drugs used here. It would negotiate lower prices. Again, higher volume sales would offset these, preserving drug makers' profits. All patients would get needed and effective drugs at an affordable cost.

State government could be empowered to act as a wholesaler—without taking physical possession of medications or changing today's distribution channels. The state would negotiate a simple package deal with each drug maker. If Drug Maker X sold \$400 million of products here last year, for example, it can receive \$416 million this year, allowing for 4 percent inflation. The state also will pay the actual added manufacturing and distribution cost of any volume increases. In return, the company must provide the pills to fill all prescriptions written for Massachusetts patients.

This leaves the drug maker financially whole. Its profits and funds available for research don't fall. Everyone in Massachusetts gets the medications he or she needs. Total spending rises only by the small actual cost of manufacturing, distribution, and dispensing.

Those payments concern drugs marketed in the previous year. If a drug maker proposes to market a new drug, its added benefits and costs would be evaluated. If proven worthwhile, the state wholesaler would pay the drug maker additional sums. If not deemed worth the added cost, doctors still would be free to prescribe it, and individuals would pay privately.

This all is easiest if drug purchases are channeled through a single buyer. In the near term, all financing for prescription drugs simply could be carved out of existing private

and public insurance plans and directed to the single state buyer.

This approach to winning affordable medications for all Massachusetts residents illustrates a better approach to offering health coverage to everyone now uninsured.

Unsustainable health costs

U.S. health costs are out of control. A February 2005 Health Reform Program report 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.

And Massachusetts has the costliest health care of any state—27 percent above the U.S. per person average—and thus the world's costliest care.

We'd save over \$11 billion this year if we spent at the national average. That U.S. 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 this state. Hospitals, drug makers, HMOs and insurance companies can run newspaper ads saying they need 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 half of our health spending is wasted on unnecessary care, excess prices for drugs and other items, and outright theft, and administration—including the billing bureaucracy, marketing, and insurance company profits. This waste about equals the state budget, roughly \$26 billion this year. Squeezing out and recycling the wasted sums will let us contain cost and offer complete first-dollar coverage to every Massachusetts resident.

Start with prescription drugs

We must expand health coverage at the lowest possible added cost. Starting with medications offers a real opportunity for a breakthrough. It would cost surprisingly little to finance needed drugs for everyone in Massachusetts.

The commonwealth has the prescription drug buying power of a medium-sized European nation, if we pool all our purchasing and empower a single statewide buyer. We should then be able to negotiate a peace treaty with drug makers, and get all the prescription drugs we need at an affordable cost. ■

Delahunt co-sponsors "Medicare for All" bill

Rep. William Delahunt became the seventh member of the Massachusetts Congressional delegation to co-sponsor HR 676, the "Medicare for All" approach to health care reform written by Rep. John Conyers.

"Skyrocketing costs, deteriorating quality of care, loss of insurance coverage and access to essential services is affecting everyone's health care," said Delahunt. "Common sense solutions like extending Medicare to cover everyone can save money while improving quality and access to health care for all. That's why I've decided to co-sponsor HR676."

Delahunt joins six other Massachusetts representatives, (Michael Capuano, Barney Frank, Stephen Lynch, James McGovern, John Olver and John Tierney) and 53 other members of Congress as a co-sponsor.

"From our experience in the phone company, I know we can't solve the problems in the health care system through collective bargaining or by just tinkering with

incremental reforms," said John Horgan, a telephone linesman and member of IBEW Local 2222 who lives in Weymouth. "With Delahunt's support for Medicare for All, everyone can see that the momentum for comprehensive reform in Massachusetts and across the nation is growing."

Horgan worked closely with Rep. Delahunt's office to gain support for the Medicare for All approach. He is a long-time health care reform leader, shop steward and member of Jobs with Justice's Health Care Action Committee.

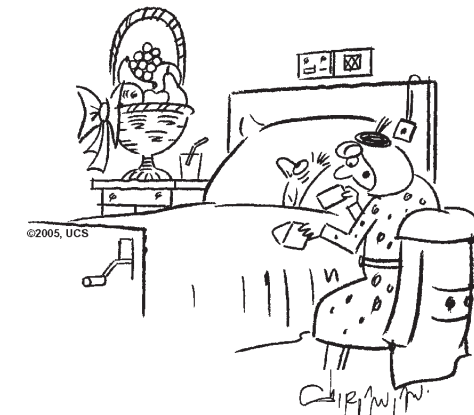
U.S. Census Bureau data for 2004 shows that in Massachusetts the share of uninsured among people under 65 was the highest it has been in seven years (13.2 percent). A recent Institute of Medicine report states that 18,000 people a year die prematurely in the U.S. due to not having health insurance.

American workers and voters are growing increasingly impatient for action. A recent

poll by Peter Hart Research showed that health care is a major concern of workers.

- Seven in 10 (72 percent) workers indicated they would like to see the federal government guarantee health care coverage for all Americans.
- Workers clearly want Congress and the president to take action and establish a national health care plan that guarantees health care coverage for all Americans. More than seven in 10 (73 percent) workers highlighted this as their top or high priority for Capitol Hill and the White House to address.

The support from the seven members of Congress followed a grassroots hearing on the health care crisis where organizers vowed to win co-sponsorship for HR676 from all of the Massachusetts Congressional delegation. The hearing, organized by Jobs with Justice, was held in Boston on Sept. 1. ■



"It's from the insurance company -- in lieu of coverage."