

LABORATORY SERVICE
DIAGNOSTIC
PHARMACY
SUPPLIES
SPECIAL CARE UNIT
EKG SERVICES
EMERGENCY ROOM
RESPIRATORY THERAPY
ROOM & NURSING CARE
SURGERY
RECOVERY
ANESTHESIA SERVICES
PATHOLOGY SERVICES
PHYSICIAN MEDICINE & REHABILITATION
SPEECH THERAPY/REHABILITATION

\$33,719.21
\$30,798.70
\$30,118.46
\$9,342.96
\$30,532.70
\$7,648.20
\$31,532.08
\$47,741.14
\$4,835.91
\$16,243.36
\$416.16
\$2,832.66
\$4,711.99

OVERCHARGED

WHY AMERICANS PAY TOO MUCH
FOR HEALTH CARE

Charles Silver and
David A. Hyman

- 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



MEDICARE HEALTH INSURANCE

Name/Nombre
JOHN L SMITH

Medicare Number/Número de Medicare
1EG4-TE5-MK72

Entitled to/Con derecho a
PART A
PART B

Coverage starts/Comienza el día
03-03-2016
03-03-2016

BlueCross. **Keystone First**

Member Name
Last name, First name
Keystone First ID
YXV123456789

Sex: **Male/Female**
DOB: **MM/DD/YYYY**
State ID: **XYZ123456789**

Primary Care Practitioner (PCP)
Last name, First name
Group name

PCP Phone Number
(555) 555-1234
Lab **XXXXXXXX**
Dental **XXXXXXXX**

RxBIN #600428 RxCN #01940000

Copays
ER **XX** Dental **XX**
PCP **XX** RX(O) **XX**
SPEC **XX** RX(B) **XX**

Limits may apply to some services. Not transferable.

Your Texas Benefits Health and Human Services Commission **STAR+PLUS** QMB

Medicaid card

Health plan / Plan de salud
Your plan
1-800-###-###
Second program (optional)
Third program (optional)

Member name:
Your name
Member ID (Medicaid ID):
XXXXXXXXXX
Issuer ID: assn
XXXXXXXXXXXX

Rx BIN: 001111
RxCN: ADV
RxGRP: RX1234

Date card sent:
09/01/2011

Copays
PCP visit: \$20 Urgent care: \$50 Emergency room: \$100

Limited drug store **Limited doctor**
Walgreens North Dallas
1234 Eagle Eye
Dallas, TX 80123
Dr. Who Kan Fixya
1234 Eagle Eye
Dallas, TX 80123

Geisinger Health Plan **Lawrence Ronaldaldowiche**
ID 12345678901

Deductible in-network \$ XXXX
Coinsurance in-network \$ XX
Deductible Rx \$ XX
Medical record 1234567890
Rx BIN 003585 | **PCN** ASPROD1 | **GRP** GJHS06
HRA Participant
Geisinger Health Plan is an affiliate of Geisinger Quality Options, Inc.

Copay
PCP \$ XX
Spec \$ XX
ER \$ XX
Rx \$ XX/XX/XX

PPO No Referral

PHCS **MedImpact**

UnitedHealthcare Health Plan (80840) 911-87726-04

Member ID: 123456789 Group Number: 98765

Member:
EMPLOYEE SMITH
Dependents
SPOUSE SMITH
CHILD1 SMITH
CHILD2 SMITH
CHILD3 SMITH

Customer Name
Sample with Rx
Payer ID 87726

Office: \$25 ER: \$100
UrgCare: \$50 Spec: \$50

OPTUMRx
Rx Bin: 610279
Rx PCN: 9999
Rx Grp: UHEALTH

UnitedHealthcare Choice Plus
Underwritten by [Appropriate Legal Entity]

DOI-0501

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

2003

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

2019

The Result: High Prices for Services of No Value!

KHN
KAISER HEALTH NEWS

A Baby Was Treated With A Nap And A Bottle Of Formula. The Bill Was \$18,000.

By Jenny Gold and Sarah Kliff, Vox • JULY 2, 2018



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

M C S W E E N E Y ' 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

The Result: Medical Tourism

10/31/2018

To fight high drug prices, Utah will pay for public employees to go fill prescriptions in Mexico - The Salt Lake Tribune

The Salt Lake Tribune

To fight high drug prices, Utah will pay for public employees to go fill prescriptions in Mexico



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.

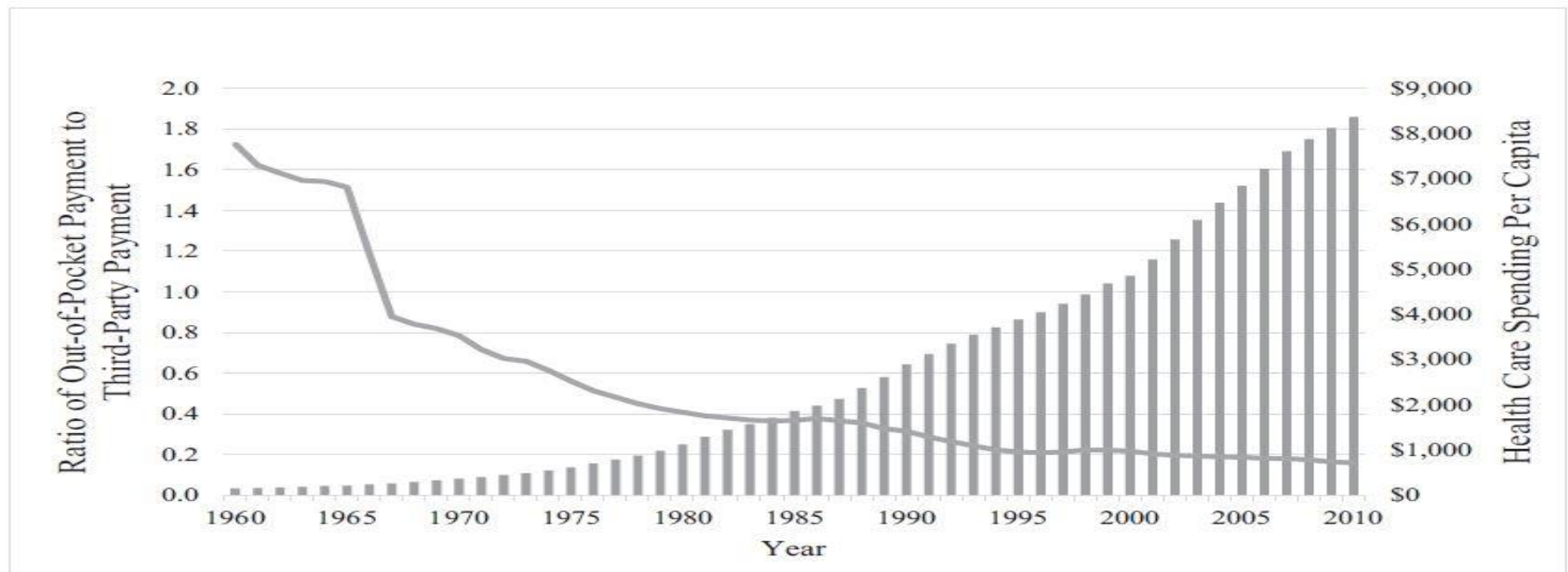
Fraud, Waste & Abuse: \$1 Trillion + Annually

- ▶ Improper payments by HHS – 8.6% GAO (2017),
<https://www.gao.gov/assets/690/688748.pdf>.
- ▶ Standard estimate for fraud & abuse: 10% - Hyman (2002)
- ▶ All Fraud, Waste, and Abuse:
 - ▶ 30% IOM (2012, using 2009 data)
 - ▶ 34% Berwick & Hackbarth, JAMA (2012, using 2011 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



Source: Centers for Medicare and Medicaid Services, “National Health Expenditures by Type of Service and Source of Funds: Calendar Years 1960 to 2015,” available at <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsHistorical.html>.

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

