

## *Lunch & Learn Presentation*

*Tuesday, March 19, 12:00 – 1:00 p.m.  
Butrovich Room 205, Capitol Building*

Featuring the nationally-recognized authors of the best-selling book:



Charles Silver, M.A., J.D.,  
University of Texas at Austin  
Law Professor



David Hyman, M.D., J.D.,  
Georgetown University  
Law Professor

**“Overcharged is a compelling answer to the feeling of helplessness in health care. Charlie Silver and David Hyman take on medicine’s problems and find a solution: the voice of consumers, empowered and in charge.”**

~ David Cutler, the Otto Eckstein Professor of Applied Economics, Department of Economics,  
Harvard University

# Family outraged, billed \$800 by hospital to use sink

BY: [Darcy Spears](#)

POSTED: 6:33 PM, Jul 20, 2018

UPDATED: 7:58 AM, Jul 21, 2018

Share Article

LAS VEGAS (KTNV) - Overbilled and underserved. That's how a Las Vegas family describes their recent visit to a hospital emergency room.

When Brianna Lee isn't playing soccer, the 9-year-old Girl Scout likes to help her parents, but that help recently turned to hurt. What happened to her could have happened to anyone. Brianna's mom was showing her how to pump gas and when Brianna went to remove the nozzle some gasoline splashed into her eyes.

Brianna's eyes were burning and her mother raced her into the gas station restroom where they flushed her eye. But the burning persisted.

Tomorrow: Healthcare

# \$12,000 for a bee sting? Emergency room visits get even pricier

by Tami Luhby @Luhby

March 19, 2018: 7:41 AM ET

Recommend 0



Social Surge - What's Trending



Amazon is expanding Prime Day

## 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





Callie Richmond/KHN



share

shots - health news

## Life-Threatening Heart Attack Leaves Teacher With \$108,951 Bill KAISER HEALTH NEWS



listen

6:47

© 2018 npr



## Alaskans seek relief from high health care costs with medical tourism

✍ Author: [Laurel Andrews](#) ⌚ Updated: September 7, 2017 📅 Published November 8, 2015



*Marcy Merrill, a nursing student at UAA, traveled out of state multiple times for medical procedures, saving tens of thousands of dollars in the process. Photographed at UAA on Tuesday, November 3, 2015.*

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



Guiding the way  
to a healthier workforce.

See what Cigna can do today for your business.

## HEALTH TECH MATTERS

# Walmart is so desperate to fix health care, it flies employees to top hospitals in other states for treatment



- Walmart shared a case-study this week on its efforts to improve health care for its employees.
- It described how a patient got an all expenses paid trip to Geisinger Medical Center in Pennsylvania with his wife to get a second opinion on whether he needed spine surgery.
- The employee, in fact, had Parkinson's Disease. That saved Walmart \$30,000 by averting the procedure.

Christina Farr | @chrissyfarr

Published 5 Hours Ago | Updated 2 Hours Ago



# 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.

# *Pharma Games: 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

- Insulin
- 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

The Lown Institute  
2<sup>nd</sup> ANNUAL

SHKRELI

AWARDS



## 1. Raising drug prices is “a moral requirement,” says Nostrum Labs CEO.

In August, **Nostrum Laboratories** raised the price of antibiotic nitrofurantoin by 400%, from \$475 a bottle to \$2,393. Nitrofurantoin is a common drug used to treat urinary tract and bladder infections that was originally approved in 1989. **In response to criticism, CEO Nirmal Mulye said**, “I think it is a moral requirement to make money when you can ... to sell the product for the highest price.” Why is hiking the price moral? Because you “have to reward your shareholders,” Mulye said.

# A Few 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. And an ocean of fraud.”

# Fraud, Waste & Abuse: How Much Is There?

- ❑ 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 F, W & A: 30% IOM (2012, using 2009 data)
- ❑ All F, W & A: 34% Berwick & Hackbarth, JAMA (2012, using 2011 data).



# Where do we find fraud, waste, and abuse? It's everywhere you look!

- ❑ Drug companies
- ❑ Doctors
- ❑ Hospices
- ❑ Ambulance services
- ❑ Mental health clinics
- ❑ Patients
- ❑ Nurses
- ❑ Hospitals
- ❑ DME providers
- ❑ Nursing homes
- ❑ Dialysis clinics
- ❑ Organized crime

# Organized Crime???

“Cocaine distributors in Southern California and southern Florida are diversifying into Medicare abuse because the profits are greater, the chance of detection is slimmer and the penalties are minor.”

Louis Freeh, FBI Director

*Elizabeth Shogren, Rampant Fraud Complicates Medicare Cure, L.A. Times, Oct. 8, 1995*

# Meet Dr. Jacques Roy



- ❑ Primary Care - Tx
- ❑ \$375M home health care fraud:
  - Certified 11,000 patients for home health care over six years; 5,000 in a single year.
  - Suspended in 2011, but continued certifying and billing.
  - Finally convicted in 2016.

<https://www.dallasnews.com/news/crime/2017/08/09/doctor-maimed-patients-bilked-taxpayers-record-370-million-gets-35-years-prison>

# Treating Wet Macular Degeneration: Avastin (Off Label) or Lucentis?



\$60/dose



\$2,300/dose

Copayment - 20% of drug cost.

Reimbursement to dispensing physician: 6% of drug cost  
(\$3.60 versus \$138) -- now 4.3%

# Dr. Salomon E. Melgen



- ❑ Paid \$135M by Medicare
  - Quadruple-billed for Lucentis
  - Unnecessary treatments
- ❑ Made >\$1M in political contributions. Sen. Menendez (N.J.) and his staff repeatedly went to bat for Dr. Melgen with CMS.
  - “Bad medicine is not illegal. Medicare should pay these claims.”

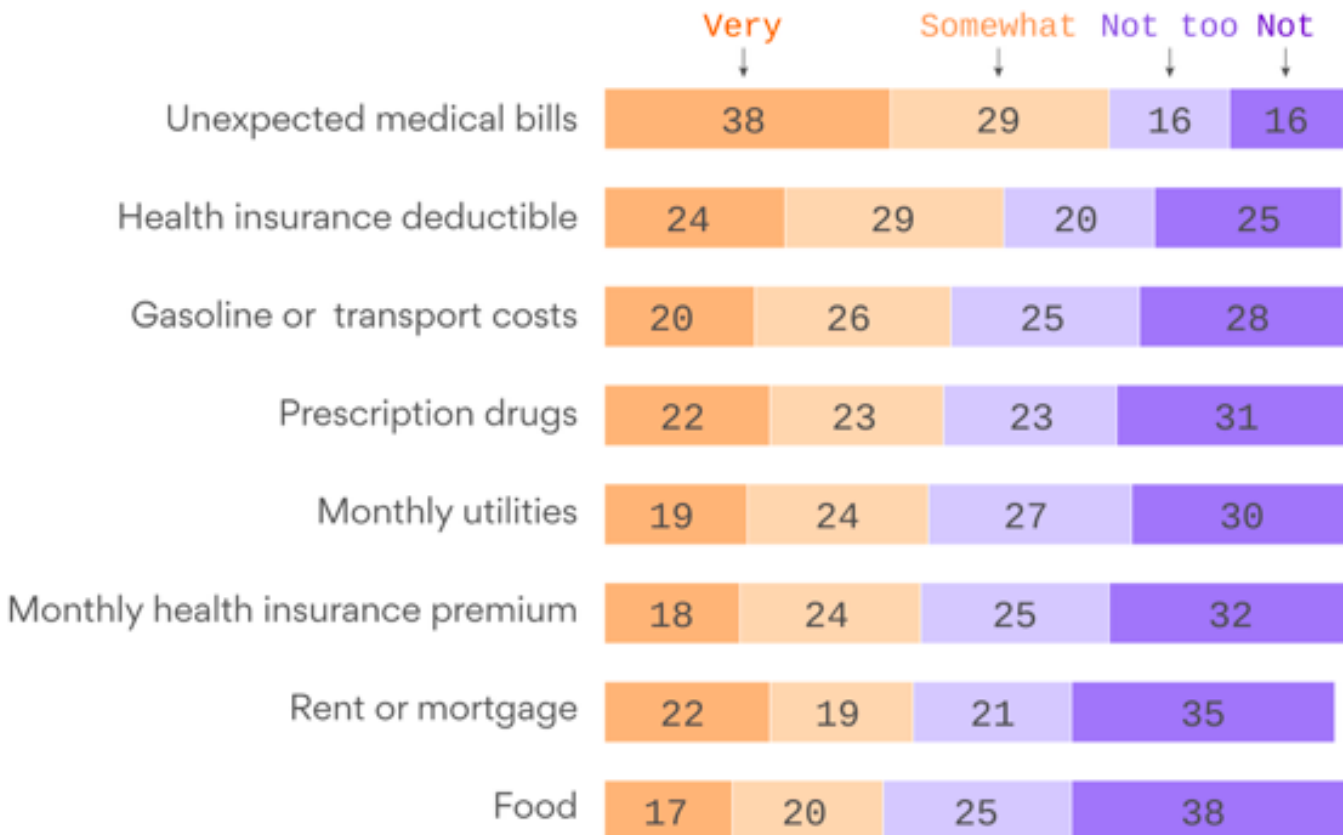
<https://www.nytimes.com/2017/09/27/nyregion/robert-menendez-trial-tom-harkin-testimony.html>



# *People are very worried about surprise medical bills!*

How worried are you about being able to afford...

Aug. 23–28, 2018, survey of 1,201 U.S. adults



Reproduced from a Kaiser Family Foundation [report](#). Margin of error was  $\pm 3$  percentage points.

# Where do we *not* see balance billing?

## □ In health care?

- Physicians decide to be in-network.
- Physicians are employed by the hospital.

## □ Outside of health care?

- Pretty much everywhere.
- Auto body shop as a paradigm case.



# *Why Is Our Health Care System So Dysfunctional?*

- ❑ Third party payment
  - We're using 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.

# Blind alleys and lost causes: What about 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.
- ❑ Advocates are willing to dramatically increase taxation and government spending – but what about the voters?
  - Vermont
  - California
  - Massachusetts

# Is Medicare Efficient?

- ❑ Medicare costs about 1.5% to administer:
  - Divide administrative expenses (\$9B) by total Medicare spending (\$679B) = 1.4%
- ❑ This is a problematic 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 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%**

# So why does it work in [fill in the blank]?

- “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)

# *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

# What we should avoid. . .

