

Dr. Pharmacoeconomics

Or, Why I Learned to Stop Worrying
And Love "High" Drug Costs



Health Strategies Network

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QUESTION –
Expensive New Pharmaceuticals...

- Increase total health care costs**
- Decrease total health care costs**
- It depends on the type of drug**
- It depends on the budget period**

July 24, 2001

Marketplace

Centers Offer Medical Imaging To Target Consumers Directly

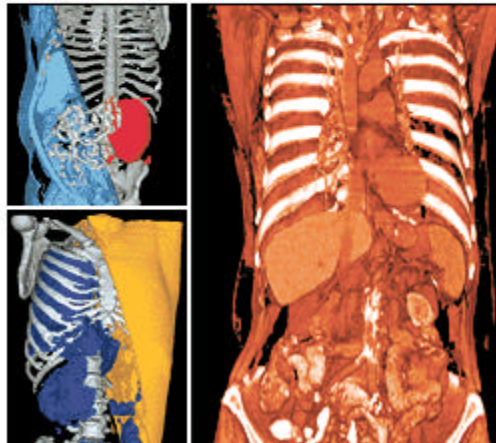
By **RHONDA L. RUNDLE**

Staff Reporter of THE WALL STREET JOURNAL

SCOTTSDALE, Ariz. -- "The full body health scan is the best way to show you care for those you love," say advertisements for AmeriScan, a retail medical imaging center at the Scottsdale Fashion Square shopping mall here.

The store, nestled next door to Neiman Marcus, is the brainchild of Craig Bittner, a 34-year-old radiologist who has dreams of opening imaging centers in malls across the country. Patients pay \$960 for a set of scans designed to detect early signs of coronary artery disease or cancers of the lung, colon or kidney. They leave with a written report and a compact disc featuring a colorful tour of the inside of their body.

Dr. Bittner is one of the many entrepreneurs cashing in on the body-imaging boom spurred by consumers' burgeoning appetite for preventive health-care services. While imaging systems -- which cost between \$1 million and \$1.5 million -- have typically been purchased by hospitals and medical centers, recently there has been a surge of companies targeting consumers directly.



HealthScreen America Inc., a four-year-old private company, opened its first retail center 18 months ago in its hometown of Jacksonville, Fla., and hopes to raise \$50 million and go public over the next several years. A new center is set to open in Atlanta by the end of this year, with openings in Boston, Philadelphia, South Florida and London sometime next year. In Southern California alone, half a dozen centers with different owners are competing for patients over the radio airwaves in ads that typically feature patients' stories.



Higher drug costs for a well-managed disease
mean lower aggregate medical costs

- Reduced/eliminated hospital stays
- Averted or delayed surgeries
- Fewer ER visits

Just What the HMO Ordered

The theory of managed care put into practice equals higher drug costs

Preventive medicine generates prescriptions for people with asymptomatic conditions

Better disease management (e.g., compliance) generates more initial and refill scripts

The prototype HMO (Kaiser) included liberalized drug and first-dollar coverage

**Reader's
Digest**

May 1998 \$2.25

**The One Thing
Wives
Really Need**

See Page 124

**What Top Women
Doctors
Want
You to
Know**

See Page 49

**Is Your Bank
Robbing
You Blind?**

See Page 172



Whose (Covered) Life Is It Anyway?

**Average
HMO Membership**

2.6

Years

**Average
US Employment**

6.4

Years

**Average
Life Expectancy**

78.4

Years

Internet Opens Up Whole New World Of Illness For Local Hypochondriac



Above: Janet Hartley learns more about her suspected case of arteriovascular malformation on Yahoo! Health.

MERIDEN, CT--All her life, Janet Hartley has suffered from a host of ill-defined viruses and inexplicable aches and pains, diagnosing herself with everything from diabetes to cancer. But ever since discovering such online medical resources as WebMD, drkoop.com, and Yahoo! Health, the 41-year-old hypochondriac has had a whole new world of imaginary illnesses opened up to her.

"The Internet has really revolutionized my ability to keep on top of my medical problems," said Hartley, speaking from her bed. "For instance, I used to think my headaches were just really bad migraines. But then last week, while searching Mt. Sinai Hospital's online medical database, I learned about something much more serious called cranial AVM, or arteriovascular malformation, which, along with headache pain, may also result in dizziness, loss of concentration, and impaired vision. I immediately thought to myself, 'Hey, that's exactly what happens to me.'"

In addition to regularly surfing various general medical-reference sites, Hartley makes frequent use of medical-school research sites, drug-company FAQs, and bulletin-board services for terminally ill patients in her ongoing quest to self-diagnose her hypothetical maladies.

"No more thumbing through the two-volume Physician's Desk Reference, a repetitive motion which led to my carpal tunnel syndrome," said Hartley, her wrists wrapped in ointment-soaked Ace bandages. "It felt great when I could finally throw that old thing out. Except I think I slipped a disc in my back tossing it in the trash can."

Every day, provided she feels up to it, Hartley logs onto the Internet from her home. She also frequently logs on from work.

"Something in my office just isn't right," Hartley said. "I always feel fatigued there, and for a long time, I suspected that the fluorescent lights were leaching the vitamins from my system. But according to a bunch of web sites I checked, that's unlikely. Then I thought maybe it was asbestos in the walls, but supposedly, there isn't any. So I spend some time on the Internet every day trying to figure out what exactly it might be."

Expensive Drugs are the Price of Medical & Social Progress

- Renewed increases in life expectancy in general
- Radical increases in life expectancy for "dread" diseases
- Improving health status for the elderly
- Improving quality of life measures for the chronically ill

Cycle of Hope - Microsoft Internet Explorer

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Regardless of where you are in the cycle of cancer survivorship, the information on this site will help you turn your fears into hope, making your experiences easier at every turn.



Go Lance!

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Lance Armstrong
Two-Time Tour de France Winner
Cancer Survivor

Way to Go Lance!

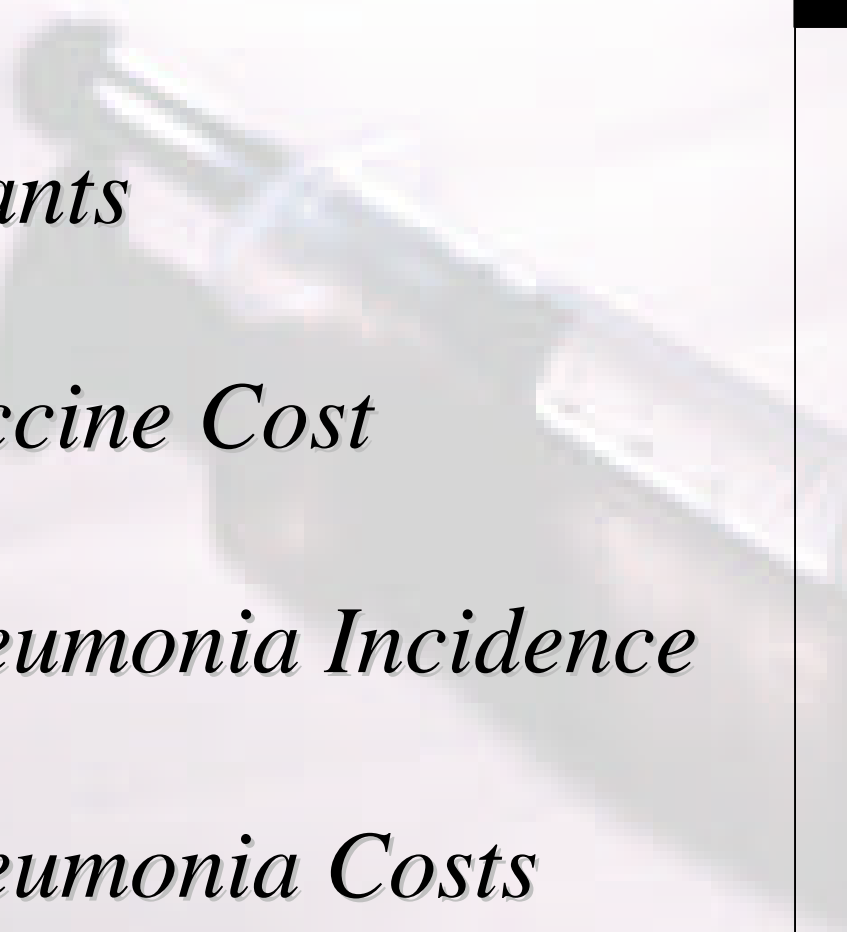



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http://www.cycleofhope.com/glance_at_lance.html Internet

Who Pays the Price of Progress?

- Public health versus private sector interests
- Fixed premium dollar = "zero-sum" game
- How much is too much for health care?
- Tiering as strategy to rationalize drug consumers



	Immunized	Placebo
<i>Infants</i>	19,000	19,000
<i>Vaccine Cost</i>	\$950,000	-
<i>Pneumonia Incidence</i>	1	39
<i>Pneumonia Costs</i>	\$5,200	\$202,800
<i>Total Costs</i>	\$955,200	\$202,800

Source: Kaiser Family Foundation, 1999

Is the drug in question



- _____ **An expensive bargain in the short run?**
- _____ **An expensive bargain in the long run?**
- _____ **No bargain, but important clinically?**
- _____ **Blue Corn Flakes?**



Pharma Responses to the Emerging Economic Order

Rivet product positioning and marketing mix
to product's value proposition

Promotional partnerships with employers on
“slow pays” and “diffuse pays”

Risk partnerships with health plans on “fast pays”