

Why Does American Health Care Cost So Much? Let's Ask Dr. Robert Popovian



By Josh Bloom — May 6, 2018



Pfizer's Dr. Robert Popovian Photo:
[Twitter \[1\]](#)

"Taste great! Less filling!" This mindless Miller Lite commercial was shoved down our throats beginning in 1974 in what could be reasonably be expected to be found in a remake of *Clockwork Orange*. As if:

1. Anyone really cared.
2. A meaningful answer was likely to be forthcoming.

In the field of health economics, there is another question that won't go away: Why does medical care cost so much more in the US than it does in other countries. This question is very far from simple, yet soundbites by competing groups make it sound so. Dr. Robert Popovian is vice president of Pfizer U.S. Government Relations and pharmaceutical companies are frequently blamed for high costs. That may be why he does not accept simple answers to complex problems.

A [recent piece](#) [2] he wrote in *Morning Consult* provides some badly needed insight into this controversial area.

One in the health care costs difference between the US involved prices compared to the developing world (as well as developed countries) is that price controls in elsewhere automatically drive up US prices. We are subsidizing the rest of the world, including some countries that do not need it (emphasis mine).

*"According to the World Bank, developed countries are the ones with the highest gross national income. The top six GNI per capita countries are **Switzerland, Norway, Luxembourg, Macao SAR/China, Denmark** and the United States."*

R. Popovian, May 4, 2018, Morning Consult

So, yes. We are taking a hit in the US to provide (especially drugs) to countries that could pay their fair share. There are other factors that are responsible for these differences. For example, different countries spend healthcare money quite differently. Some of these differences include the use of different types of services and technology, other professionals who administer these services, and (importantly) the use of biopharmaceuticals to offset more expensive health care services **(1)**.

Popovian points out that in order to do an **appropriate** price comparison, those other factors need to be considered (emphasis mine).

1. The list price for a medicine in the U.S. is **not the net price paid by either the government or private** payers. The net price that is actually paid reflects the rebates and discounts provided to entities such as insurers or pharmacy benefit managers.
2. Biopharmaceutical companies are not immune to "middleman fees":

"According to the [Berkeley Research Group](#) [3], in 2015, 42 percent of gross expenditures for biopharmaceuticals at the retail level go to these so-called "middlemen." Simply looking at U.S. list prices against prices in other countries is not an accurate comparison."

3. What about medical inflation in the U.S.? For example, a [study published in JAMA](#) [4] in April 2018 found that generalist physician salaries are 30-60 percent higher in the U.S. than in other developed countries.
4. Funny numbers: It is becoming clear that our health care system is "burdened by artificially inflated costs through unequitable [sic] biopharmaceutical pricing or inadequate intellectual property protection in developed countries."

So, we are not just playing on an uneven field; it is a different field entirely. Simplistic statements like "the US has the most expensive care in the world yet we [fill in the blank] are misleading, and very likely intentionally so.

NOTE:

(1) It may sound counterintuitive that biopharmaceutical drugs, which as almost always more expensive than pills, sometimes drastically so, would save on healthcare costs. But the efficacy of these drugs can be astounding and, indeed, result in costs savings over the life of the patient.

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Links

[1] <https://twitter.com/popovianpharmd>

[2] <https://MORNINGCONSULT.COM/OPINIONS/COMPARING-US-HEALTH-CARE-COSTS-AMOUNTS-OTHER-COUNTRIES-FALLS-SHORT/>

[3] [https://mail-](https://mail-attachment.googleusercontent.com/attachment/u/0/?ui=2&ik=7be4d05a6b&view=att&th=16321fa92b261Kgsk9NTrdPQ5NrQwUAz62OdKuGyVZ9uEGkep3PRpScaoomxbUrKX33zPw7iGhd8tq-Cd5-H9NHmp9jUfa9qTtrFZbEXZJJUjXqoA8ItXsRIKeg25_J236AMvuUPt1_EOh-yjgBDsNYQv0Dr_Dbnqh9Bs0E071vpax9yWjQMqGISOp0b9-fhoWypEK9ilqqIRedJu1hWKsm4ABeMqEkLkusWttcmPacJVzaJGRmDE7Lj3Mljo03Gk0ithRLSZhfiSqxF-3bF6OKnExSp0gKjsQeQC4XyBsZXJnqRr6wf4oSr7zytnBbogXJDViRJsEczpbDO_EjL6wtWVbqeBx44hcs3eLiez57CpisFH85ZgCCa1x6jh5TSLDh7y8B6-fXxjTDPXYyAiOrg1XNWOYMINixNfsz9TQm-_qeXkG6-beOOn5mqfpOmpulAI1L48)

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[4] [https://mail-](https://mail-attachment.googleusercontent.com/attachment/u/0/?ui=2&ik=7be4d05a6b&view=att&th=16321fa92b261Kgsk9NTrdPQ5NrQwUAz62OdKuGyVZ9uEGkep3PRpScaoomxbUrKX33zPw7iGhd8tq-Cd5-H9NHmp9jUfa9qTtrFZbEXZJJUjXqoA8ItXsRIKeg25_J236AMvuUPt1_EOh-yjgBDsNYQv0Dr_Dbnqh9Bs0E071vpax9yWjQMqGISOp0b9-fhoWypEK9ilqqIRedJu1hWKsm4ABeMqEkLkusWttcmPacJVzaJGRmDE7Lj3Mljo03Gk0ithRLSZhfiSqxF-3bF6OKnExSp0gKjsQeQC4XyBsZXJnqRr6wf4oSr7zytnBbogXJDViRJsEczpbDO_EjL6wtWVbqeBx44hcs3eLiez57CpisFH85ZgCCa1x6jh5TSLDh7y8B6-fXxjTDPXYyAiOrg1XNWOYMINixNfsz9TQm-_qeXkG6-beOOn5mqfpOmpulAI1L48)

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