

# No Real Healthcare Cost Crisis



BY WILLIAM FALOON



For 31 years *Life Extension*<sup>®</sup> has warned that corrupt disease-care legislation combined with suffocating FDA regulation will bankrupt the United States of America.

The day of reckoning is rapidly approaching when the Federal government will be unable to subsidize the hyper-inflated healthcare prices that it created.

We have shown how inefficient and fraudulent government edicts are the cause of today's medical cost crisis—and how this catastrophe can be averted with commonsense changes to the law.<sup>1-3</sup>

## A Real-World Example

*Life Extension*<sup>®</sup> is on the front lines seven days a week helping people who confront medical issues, many of whom are unable to pay the artificially inflated prices brought on by failed government policies.

I recently received a call from a friend whose younger sister contracted **genital herpes** and suffered frequent painful outbreaks. Herpes is an incurable virus that **20%** of American women (ages 14-49) are infected with.<sup>4</sup> It is estimated that **80%** of cases remain undiagnosed.<sup>5</sup>

## AS WE SEE IT

I suggested that my friend's sister consider taking 500 mg a day of **valacyclovir** (Valtrex®) as this has been shown to reduce the number of herpes outbreaks<sup>5</sup> and reduce the chances of spreading the virus to one's sexual partner by 47%.<sup>5</sup> I recalled the retail price of Valtrex® was around **\$3 per tablet**, but thought that it might be available as a lower-priced generic.

When I called the **Life Extension Pharmacy**®, I was shocked to learn that the brand name Valtrex® had jumped to **\$7.40 per tablet** and that the **generic** cost almost this much! Since Valtrex® needs to be taken every day for prevention of outbreaks, the monthly cost for the generic comes to around **\$200**, bringing the annual price tag to **\$2,400**.

I was outraged that an off-patent drug could be priced this high and ordered our staff to find out what it really cost to produce high-quality generic Valtrex® tablets. What we discovered is beyond abhorrent. The raw material to make a **one-month supply** of generic Valtrex® is only **60 cents!** The pharmaceutical-quality manufacturing process

adds **\$1.50**, which means the total cost to make a bottle of **30** 500 mg generic Valtrex® tablets is only **\$2.10**.

Yet this same bottle retailed in pharmacies for around **\$200**—a government-protected markup of **9,523%** (or **95 times** over the cost of manufacture)!

No other business can get away with charging this much for a product whose patent expired. The only reason this happens is that Federal laws provide a virtual monopoly to protect the drug industry's outlandish profits.

When I called my friend back about the **\$200/month** price, the first thing she said is "*My sister cannot afford that.*" That means this young girl will suffer frequent herpes outbreaks and is more likely to pass this incurable virus on to others.

For those concerned that this girl may forever be denied her medicine, drug companies have lobbied Congress to create laws whereby **taxpayers** will foot the bill for many of those who cannot pay the ever-escalating costs of medical insurance.

As we have so often reported, the Federal government gives pharmaceutical companies a virtual monopoly over patented and generic drugs. The outlandish profits earned from these drugs are then used to buy lobbyists who persuade Congress to pass legislation that leaves the **taxpayer** on the hook for paying for these over-priced medicines.

What a racket! Overcharge so much for your product that most consumers cannot afford it, complain to Congress that consumers cannot afford your medicines—and then receive tax dollars to pay your monopolistic prices.

We long ago proposed that Congress change the law to permit companies to freely make generics, which would result in the price for generic Valtrex® plummeting from **\$200** a month to somewhere around **\$7** (or from **\$2,400/year** to **\$84/year**).

I titled this article "**No Real Healthcare Cost Crisis**" because it reveals how this country is being driven to economic insolvency by corrupt legislation, while pharmaceutical interests enjoy record profits.

### Misguided FDA Decision Causes Price of Old Drug to Skyrocket 5,000%

In July 2009, the FDA officially announced what physicians have long known. An old drug called **colchicine** can effectively treat acute flares of gouty arthritis.

This drug has been sold as a low-cost generic since the 19<sup>th</sup> century in the US, and its origins go back 3,000 years to the ancient Greeks.

Since **colchicine** was around so long, it pre-dated the FDA itself. The FDA wanted this drug tested



## AS WE SEE IT



for safety and efficacy and offered one company a three-year exclusive if it would conduct a study. In the one-week randomized trial this company conducted, it was discovered that a shortened dosage period produced good symptom management while leading to fewer side effects than longer term use. Astute physicians may have already figured this out, but it is good that a study was done to confirm the shortened dose advantage. The question is, can we afford it?

Before the study, **colchicine** was sold by several companies for around **nine cents** a pill. Once the FDA granted the three-year exclusive, the price shot up **50-fold** to an average of **\$5** per pill.<sup>6</sup>

In 2007, there were 100,000 prescriptions written for **colchicine** for which Medicare-Medicaid paid about **\$1 million**.<sup>7</sup> Under the new monopoly granted by the FDA (with legislative authority from Congress), taxpayer funded agencies (Medicare-Medicaid) will pay around **\$50 million** for the same drug.<sup>7</sup>

There are more cost-effective ways to have ascertained better dosage for this old drug, such as a one-week trial funded by the

National Institutes of Health (NIH). An NIH-funded trial would have cost the government a fraction of the **5,000% increase** it and private payers will now have to fork over for a non-patented medication that has been used for centuries in this country.

This is just a tiny example of how pharmaceutical company-sponsored legislation and misguided regulatory policies create an *artificial* healthcare cost crisis. Multiply this across the entire medical sector and you can see why radical reform is needed if an economic crisis is to be averted.

### How Is This Affecting You?

If you obtain health insurance from your job, it now costs your employer nearly twice as much (\$6,700 per employee) than it did in the year 2001.<sup>9</sup> You might have noticed that you now pay a greater portion of the insurance premium through your employer and that your deductibles and co-pays are substantially higher than what they used to be.

Health insurance costs to employers are projected to **double**

again over the next ten years. This means that fewer dollars will be available to pay you. It also means that employers are not hiring as many people because of skyrocketing health insurance costs.

Employees fortunate enough to have healthcare insurance in 2010 will pay on average **\$4,023** in premium subsidies and out-of-pocket expenses.<sup>10</sup> This compares with almost nothing a decade ago. According to the *Wall Street Journal*, "**Health Costs Are Crushing Small Businesses**" as medical premiums have increased **four times faster** than the rate of inflation since 2001.<sup>11</sup>

If you pay for your own medical insurance, you've already been stung with **skyrocketing** premium rate increases, along with higher deductibles, higher co-pays and refusals to cover certain expenses.

Those without coverage face astronomical out-of-pocket costs for any serious medical issue.

### Drug Makers Sharply Raised Prices in 2009

As if prescription drug costs were not already high enough, brand-name pharmaceuticals increased **9.1%** in 2009, while biotech drugs rose **11.5%**.<sup>8</sup> This follows a pattern of prescription drug price increases that far outpace inflation, even as the cost of the active ingredient plummets (as can be seen in the **60-cent-a-month** raw material cost of valacyclovir).

Americans continue to pay the highest prices in the world for their prescription medications as pharmaceutical company influence in Congress guarantees monopolistic-like protection.

## AS WE SEE IT



### Medicare's Date with Insolvency

According to President Obama, **"We will eventually be spending more on Medicare than every other government program combined."**<sup>12</sup> That acknowledgment, however, did not stop passage of legislation (**Healthcare Reform Act**) that provides another Federal disease-care entitlement (and drug company subsidy) for people under age 65.

While the public is finally waking up to the colossal **\$14 trillion** official Federal debt, only a few understand that the **\$37 trillion** unfunded **Medicare** liability is our real deficit problem. Nothing else comes close to threatening our health and financial well-being.<sup>12</sup>

The year **2008** marked the first time that Medicare posted a deficit, meaning it spent more on disease-care outlays than the taxes it collected. By the year **2017**, the Federal government tells us that the Medicare hospital trust fund will be depleted.<sup>13,14</sup> But this number is based on optimistic projections that are not happening, such as a **21% cut** to doctors that was supposed to occur in 2010 but was canceled by Congress.<sup>13</sup>

An increasing number of doctors are refusing to accept Medicare today because it pays so little. If a cut in physician payments is ever

implemented, the Medicare system could collapse because there will not be enough physicians to cover the aging population.

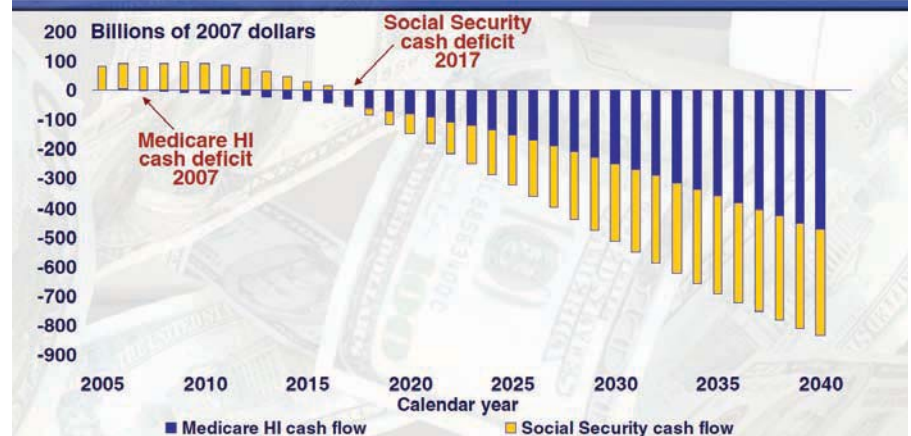
The chart on this page was created in 2007 and reveals the stunning magnitude of the Medicare and Social Security deficits. What's really scary is that this does not factor in the **Medicare Prescription Drug Act** or **Healthcare Reform Act** passed by Congress over the past few years that will add trillions of additional deficit dollars to this chart.

The Federal government pretends it can raise taxes enough on wealthy individuals to offset the staggering liabilities it has incurred by promising more sick-care coverage than what Medicare is already on the hook for. The notion that taxes can be raised on a tiny percentage of the population to pay the gargantuan Medicare liability is a mathematical impossibility and represents the largest Ponzi scheme in the history of mankind.

### Medicare Rife with Fraud, Waste, and Ineptitude

*Life Extension* (and other media sources) has reported egregious examples of how Medicare expenditures are squandered. In some cases, crooks set up phony clinics, collect millions from Medicare for services never rendered, and then move on to another location before Medicare figures out it is paying bogus claims.

## Social Security and Medicare's Hospital Insurance Trust Funds Face Cash Deficits



Source: GAO analysis of data from the Office of the Chief Actuary, Social Security Administration and Office of the Actuary, Centers for Medicare and Medicaid Services.  
Note: Projections based on the intermediate assumptions of the 2007 Trustees' Reports. The CPI is used to adjust from current to constant dollars.

The real money, however, involves lobbying Congress to force Medicare to grossly overpay for the particular service, device, or pharmaceutical a company happens to sell.

One of the fastest growing areas of the disease-care industry is “home healthcare.” It aims to save billions by avoiding costly hospitalizations. Hospitals, of course, learned how to bilk Medicare long ago, and home healthcare providers are no less proficient.

An investigative report by the *Wall Street Journal* uncovered a ridiculous program in which Medicare paid a **\$2,200 bonus** once a company made ten at-home visits to a particular patient.<sup>15</sup> With this kind of incentive, home healthcare companies jumped through hoops to hit the ten-visit mark, even threatening employees with no pay if they failed to figure a way to bill Medicare ten at-home visits for every patient. Remember, for each patient that Medicare paid for ten consecutive visits, an absurd **\$2,200** taxpayer-funded bonus was kicked back to the home healthcare provider PLUS the cost Medicare had to pay for each at-home visit.

Those who successfully lobby Congress receive windfall profits from Medicare, while those who don't are so short-changed that many are dropping out of the system. It's somewhat analogous to the former Soviet Union, where companies favored by the entrenched Communist Party received special status, while those who lacked political connections often could not pay their employees because no money came from Moscow.

One home healthcare company that receives 90% of its revenue payments from Medicare enjoyed revenues of **\$1.5 billion** in 2009,

compared to only **\$88 million** in the year 2000. Its stock has gone from less than **\$1** in 2000 to **\$60** in 2009.<sup>15</sup>

Clearly, the way to make money in today's economy is to find a way to guarantee that the **Federal government** will pay you inflated prices so you don't have to worry about competing in the free market for consumer dollars.

## A Trip to Mexico with My Son

I try to spend time with my children and wound up in Mexico for a few days last summer, where my 13-year-old son was bitten by an insect. He developed a painful reaction that required immediate attention. Fortunately, in Mexico, you don't need a prescription to buy most drugs. I was able to walk into a pharmacy and purchase a tube of *triamcinolone* cream at virtually no cost. Within a few hours my son was cured.

In the United States, it is not so easy or affordable. For some ludicrous reason, the FDA mandates

that one obtain a doctor's prescription for topically-applied *triamcinolone* cream. If this insect bite had occurred in the US, I would have had to find an urgent care medical facility that was open, pay the doctor over **\$100**, and then take the prescription to a pharmacy and wait for it to be filled. My son would have spent many additional hours in pain and I would have spent a lot more money and time.

If I could not locate an urgent care center, a hospital emergency room visit would be the only alternative. The cost to me and my insurance company would have been over **\$500** for an ER visit as opposed to spending only a few dollars for a tube of triamcinolone cream at a Mexican pharmacy with no prescription.

The Mexican pharmacy, by the way, was overwhelmed with American tourists who were behaving like kids in a candy store. The shelves were stocked with just about every popular American prescription drug, but no prescription was required. Prices for most drugs were a fraction of what they cost in the US.



Chase Faloan was bitten by an insect and suffered an acute inflammatory reaction to his entire back on May 27, 2010. Below is the tube of triamcinolone cream I purchased for a few dollars at a Mexican pharmacy (without a prescription) that cured him of the pain, redness and swelling he suffered. Had this occurred in the United States, this would have been an expensive and time-consuming process.



## AS WE SEE IT



### Prescription Status for Many Drugs Should Be Abolished

There was a time when the public was so ignorant about medical issues that a doctor's prescription was required for most drugs to be safely and effectively used.

That has changed. An enlightened individual can use the Internet to learn about drugs that lower blood pressure, glucose, and lipids, along with the drug's side effects. At-home blood pressure devices are more effective in monitoring real-world blood pressure than periodic visits to a doctor's office. An enlightened patient can precisely individualize dosing of anti-hypertensive medications to bring their blood pressure to optimal levels (below 115/75 mm Hg in most people).

Enlightened individuals, with the help of trained health advisors, can also interpret their own

blood test results and choose medications and hormones that can normalize abnormalities that hurried doctors too often overlook. Periodic audits of one's self-prescribing regimen by a physician would be highly recommended.

There are drugs that require close physician supervision and would remain on prescription-only status.

Naysayers who argue that people will take inappropriate doses or the wrong drug ignore the epidemic of adverse reactions that occur when patients blindly follow physician's prescribing orders. Look at how many prescriptions doctors wrote for Avandia® long after studies showed sharply higher heart attack and stroke risks.<sup>16,17</sup>

If doctors were relieved of having to see patients for simple issues (like elevated LDL and triglycerides) they could focus more time on patients who need intensive hands-on treatment.

### Accepting Harsh Realities

Medicare's date with insolvency is a mathematical near-certainty.

There are many reasons for this, but corrupt legislation that precludes a medical free market from developing, along with bureaucratic overregulation, ensures that disease-care expenditures will cripple this nation.

As we proposed in detail in the August 2009 issue of *Life Extension Magazine*, the cost of prescription drugs would plummet if the FDA did not have such stringent approval requirements for generics.

As proposed today, if patients were empowered to make their own decisions on personal health issues, medical costs would plunge as wasteful visits to doctors' offices could be reduced.

I suspect most of you reading this recognize that there reaches a point where the words "we

cannot afford it” become a harsh reality. Whether one agrees with the solutions suggested in this editorial or not, the simple fact is that Medicare, private insurance, and the private sector cannot afford the costs of today’s broken sick-care system.

For the edification of new members, please know that we at *Life Extension* have been sounding the alarm bells about the catastrophic consequences of artificially inflated disease-care costs for the past four decades.

The Federal government has responded by launching relentless criminal investigations against me (and others) at the behest of pharmaceutical interests, who don’t want you to know that Americans have been forced to pay **\$200** for a bottle of valacyclovir (Valtrex®) that costs only **\$2.10** to make!

For longer life,



William Faloon

P.S. - Generic drug prices fluctuate widely. When more manufacturers obtain FDA approval, prices sometimes drop. When manufacturers cease making certain generics, prices can sharply increase. In January **2011**, the *Life Extension Pharmacy* was able to offer 30 500 mg tablets of **valacyclovir** for **\$103**, though this price is subject to being increased at any time. When I called a local **Walgreens** the very same day, they quoted **\$199.99** for the same amount of valacyclovir.

From an efficacy standpoint, valacyclovir provides relatively mediocre results in those suffering acute herpes or shingles outbreaks.

For those seeking natural and more innovative approaches to controlled herpes and shingles attacks, log on to [www.lef.org/herpes](http://www.lef.org/herpes)

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