

THE ECONOMIC CLUB

O F W A S H I N G T O N, D. C.

**Excerpts from the Signature Event featuring Jeffrey B. Kindler, Chairman & Chief
Executive Officer, Pfizer**

May 2, 2007

Biopharmaceuticals is an innovative industry. But, in order to help solve the health care crisis, our industry needs to acknowledge some big mistakes. Many companies – not all, and not without internal dissent — resisted user fees in the 80’s and early ‘90s. Fought the idea that we should make AIDS drugs available in Africa for those who couldn’t afford them. Opposed Medicare drug benefits for far too long. Today, our industry’s sales and marketing practices still bother some of our customers – patients, physicians, and payers. We need to take a hard look at those practices. Most fundamentally, we need to move from an industry that has sometimes seemed at war with its environment and with some of its customers – including the governments who often pay the bills – to an industry that anticipates, understands, and responds to all of our customers.

FDA funds 60% of its work reviewing new drugs with user fees from our industry. But one side effect seems to be that people think we not only fund the work – we influence it. We don’t. But Congress should correct the balance. It should vastly increase its funding of the FDA so that the agency can do its job – ensuring that the public gets a steady flow of safe and effective new medications.

There really can’t be any dispute that health care costs in this country are tremendously high. About 16% of GDP – almost \$2 trillion dollars, heading toward a seemingly unsustainable 20% of GDP in the next decade. And we spend proportionately more on health care than many other developed countries.

Two of the factors driving the growth in health care costs are actually good things: effective treatments we couldn’t have imagined a few years ago – and growing demand from a population living longer than ever. But if the causes are good, the effect on cost is not. It clearly costs a lot for the economy as a whole — and far too much for those without the resources to pay.

For all that we spend, our system is grossly inefficient. Consider the enormous regional variation in costs across the country. Take two average Medicare patients. One’s from Minneapolis. Average cost for a year’s care: about \$5,200. In Miami? A little over \$11,000.

The data show that the price of individual things — an operation, a hospital stay, and prescription drugs — varies very little. It’s how many of those things doctors prescribe that accounts for the difference. For whatever reason, Medicare patients get a lot more care in Miami than Minneapolis.

Here’s what’s really disturbing. The Miami patients – as one researcher put it – “do not have better health outcomes.” They don’t even have more “satisfaction with care.” It’s \$6,000 more and no better outcomes – and that’s for those who have access to health care!

Why are drug prices so much higher here than in other countries? Partly because other countries impose price controls. That means Americans subsidize the research and innovation that helps the rest of the world. That’s unfair. It’s an important trade issue. We need to address it.

Companies that stop providing insurance are likely to become not more competitive – but less. Many employees will go without coverage. Uninsured employees risk more illness. More

disability. More absenteeism. That drags the employees and their companies down. It also drags down the economy.

Just spending less won't fix our problem. Changing who pays won't fix it. Although we must reduce waste, cutting waste alone won't fix it. The bottom line is this: We pay a lot to cover only part of our problem. So our target cannot just be health care premiums. When we look not through the narrow lens but the wide-angle, it's clear. Our target must be illness.

Government spending – Medicare, Medicaid, VA and other programs – makes up about half of our total spending on health care. Private insurance is only about a third.

We must take the long view. We must invest in prevention and wellness to reverse the burden of illness and disease. Less than half of American companies and nonprofits offer any wellness programs.

Let's deal with a problem that endangers the health of Americans and the health of our economy: the 46 million Americans with no health insurance. It's a scandal. An outrage. In addition, it's a huge economic cost.

I believe it's time to provide quality, affordable health care for all Americans. What would a successful plan involve? . . . Here are four elements that make sense to me as a starting point:

- Choice of doctors and plans: Americans want to preserve individual freedoms. They value this one.
- Core health care benefit: There's a difference between a tummy-tuck and a mammogram. We should make the vital treatments available to everyone.
- Preventive Care: We spend 93 cents of every health dollar on treating illness --- and 7 cents on preventing it. That's like putting all our energies into treating bullet wounds of our police – and none in bullet-proof vests.
- Electronic records: There's Institute of Medicine data suggesting between 50,000 and 100,000 deaths each year because we use paper records. Inexcusable.

We must have a partnership between government, the private sector, labor, and nonprofits. That includes patient and physician groups. All the stakeholders – governments, businesses, individuals – have skin in the game. Each must maintain an active voice in determining the rules of the game. This will help ensure that long-range benefits are not crowded out of the debate by short-term cost constraints.

If there's one thing I hope to see in the year ahead, it's this: a partnership where industry, government, nonprofits, and academics don't mask our differences but explore them. Where we don't dig in our heels but roll up our sleeves. Where we use common sense to find common ground – and take the bold steps we really need.

