Written by **Michael Tennant** on January 26, 2016

Emergency Rooms Short on Lifesaving Drugs

Emergency rooms across the country are facing a severe shortage of drugs, many of which are necessary to save lives — and, as usual, government is largely to blame.

According to the *Washington Post*, "A new study published in the journal *Academic Emergency Medicine* shows that drug shortages in ERs across the United States increased by more than 400 percent between 2001 and 2014." The study, authored by two practicing emergency-room physicians, was based on data from the University of Utah Drug Information Service, which collects drug-shortage reports.

Wrote the paper:

> Of the nearly 1,800 drug shortages reported between 2001 and 2014, nearly 34 percent were used in emergency rooms. More than half (52.6 percent) of all reported shortages were of lifesaving drugs, and 10 percent of shortages affected drugs with no substitute. The most common drugs on shortage are used to treat infectious diseases, relieve pain, and treat patients who have been poisoned. Though the number of shortages fell between 2002 and 2007, they've risen by 435 percent between 2008 and 2014.

Shortages "are real, they're happening, and they're getting worse," senior author Jesse Pines, director of the office for clinical practice innovation at the George Washington University School of Medicine and Health Sciences, told the *Post*.

Various reasons were given for the shortages, including manufacturing delays (25.6 percent), supply and demand (14.9 percent), availability of raw materials (4.4 percent), and business decisions (2.1 percent). Over 46 percent of shortages, however, had no stated reason.

What could this unstated reason be, and could it also be playing into some of the other reasons?

Emergency physician Doug McGuff, in his 2015 book *The Primal Prescription* (co-authored with economist Robert Murphy), suggested one possible cause:

> In the last few years of my practice of emergency medicine, I have noted a disturbing trend: the medicines that I have found most useful, as well as the medicines that are needed for life-saving resuscitation, have been disappearing. From 1989 to about 2006 I always had at my disposal cheap medicines that were incredibly effective, as well as any medication needed to run a major resuscitation. This was particularly true for sterile injectable medications. However, beginning around 2006 I started to notice that I would order one of these medications, only to find them unavailable and "on national backorder."
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> Initially, the shortages were infrequent and a minor nuisance. As time went by, the shortages became more and more common.… As it currently stands [in 2015], generic injectable sedatives,

> antipsychotics, and anti-nausea medications are completely unavailable…. What would be the cause of all of this? My scouring of online discussions by other experts eventually led me to the government's price controls embedded in the 2003 Medicare Modernization Act.

That law, noted the Heritage Foundation, "was enacted in response to the consequences of price controls that preceded it" — a common pattern when it comes to government intervention. Prior to 2005, when the act took effect, Medicare paid for drugs based on the average wholesale price of each drug. Since that price was set by the manufacturers on an arbitrary basis, not based on the actual prices they charged, they naturally tended to inflate it, leading to runaway Medicare costs.

The 2003 law changed the payment formula to one based on the average selling price of drugs over the last six months; most private insurers followed suit. This "effectively limited the amount by which the price of the drug could rise in response to market conditions over a given period," explained Devon Herrick, senior fellow at the National Center for Policy Analysis. A manufacturer raising his price while others did not would tend to lose market share because Medicare would not reimburse healthcare providers at the higher price for some time to come, and perhaps not at all if other manufacturers continued to keep their prices down.

In short, the 2003 Medicare act slapped price controls on drugs; and as always, price controls lead to shortages. Pharmaceutical companies simply stopped producing drugs on which they could not profit. Sterile injectable drugs — "the majority of drugs on shortage in emergency rooms," according to the *Post* — are expensive to produce and store and thus are among the scarcest under the price-control regime.

Moreover, as then-Representative (now Senator) Bill Cassidy (R-La.) and Patrick Cobb, both medical doctors, wrote in a 2012 *Wall Street Journal* op-ed: "Due to the highly complex and expensive infrastructure required to manufacture and store sterile injectables, there is no incentive for new manufacturers to enter the market in response to a sudden shortage. Thus a single manufacturing glitch can result in an almost immediate shortage with no backup."

Other federal price controls also contribute to the shortages. One program forces drug makers to give deep discounts to facilities treating a high number of indigent or Medicaid patients. "Furthermore," penned Herrick, "manufacturers that increase brand-name drug prices faster than the Consumer Price Index are required to rebate the excess amount. This means they have little incentive to purchase new equipment to maintain or improve their manufacturing processes. As a result, some drugs become less and less profitable over time."

ObamaCare, naturally, exacerbates these problems. First, it vastly increases the number of Americans eligible for Medicaid. Second, it expands the number of facilities that qualify for the discounts. Third, it creates the Independent Payment Advisory Board, whose task is to keep Medicare spending down by recommending reimbursement cuts. As Cassidy and Cobb observed, "One of the few areas the board can cut is drug costs. This will move the market for pharmaceuticals further away from market forces — and until market forces are acknowledged, drug shortages will persist."

The Food and Drug Administration (FDA) "has issued a long-term strategic plan to prevent drug shortages," noted the *Post*. But yet another central plan isn't going to solve issues created by previous central plans, particularly when the FDA is itself part of the problem.

The agency has been cracking down on drug manufacturing facilities that don't meet its standards. Meanwhile, Herrick wrote, "the FDA approves how much a drug manufacturer can produce. If a

shortage develops because the FDA shuts down a competitor's plant, a manufacturer must seek FDA approval to increase output and alter its production timetable."

"Ironically," reported the *Post*, "increased FDA oversight might even create more shortages — researchers note that rather than invest in infrastructure or submit to enhanced inspections, businesses may decide simply to stop producing drugs."

"This is one of the byproducts of a focus on cost in health care," Pines told the newspaper. "There may be a demand for medication, but it may not be in a company's best interest to produce it because the amount they can charge is often lower than the amount it costs to manufacture it."

The problem of drug shortages, he said, "could and potentially will get worse."

Government may not be the sole cause of the drug shortage, but it is certainly a major one. The best solution, therefore, is to roll back all the unconstitutional interventions that have led to the current crisis, including ObamaCare, Medicare, Medicaid, and the FDA. Americans' lives literally depend on it.