

# When shortages strike medical supplies



*Medical Supply Shortage Effect Illustration by Greg Groesch/The Washington Times more >*

By Marion Mass and Robert Campbell - - Wednesday, March 14, 2018

## **ANALYSIS/OPINION:**

As national health care costs skyrocket, the shortage of some basic medical supplies and drugs is limiting patients' access to care and threatening lives.

Hospitals across the country are enduring a prolonged shortage of lifesaving medical supplies and drugs such as sodium bicarbonate, saline, nitroglycerine, anesthetics and chemotherapeutics. Yet the consumer version of sodium bicarbonate (baking soda) or saline (salt water) can be picked up at the corner store for a couple of bucks. These supplies play a vital role in many facets of

health care. Sodium bicarbonate is a key tool for those suffering from kidney or heart disease. Saline is necessary in the fight against dehydration caused by many diseases including the flu.

How could the most advanced country in the world suffer shortages of the most basic medical supplies that are derived from the most common commodities on earth? Because a provision in the Medicare and Medicaid Patient and Program Protection Act of 1987 gives Group Purchasing Organizations (GPOs) a “safe harbor” for monetary kickbacks from medical suppliers.

This allows GPOs to require suppliers of drugs, devices, and sterile solutions pay for market access. This safe harbor provision transforms the health care supply chain into something akin to the Venezuelan economy, characterized by payoffs, a lack of price signal and supply outages. Sodium bicarbonate is the U.S. version of Venezuelan toilet paper.

Members of Congress are considering abolishing the safe harbor. This is welcome news for patients suffering from supply constraints across the country. But too late for those it's already killed.

Here's a story from a rural Georgia hospital that's typical: A 72 year old man is admitted with a dangerously slow heart rate and acidic blood. The cardiologist calls for sodium bicarbonate solution to address these conditions. But the shortage means there's none available. Instead, the doctor is forced to insert an electric pacing wire through a neck vein and thread it to the heart to make it beat.

The American Society of Health-System Pharmacists lists deficient supplies of more than 150 drugs and therapeutics, mostly generics, which should be inexpensive. This does not even include the larger list of drugs which are no longer available at any price. According to The New England Journal of Medicine, 83 percent of doctors who regularly prescribed cancer drugs in 2012 and 2013 were unable to give their favored chemotherapy agent at least once during the prior six months. More than a third of respondents said they had to put off treatment. Doctors are facing ethical questions about who gets scarce, lifesaving treatments.

To understand how the safe harbor provision is to blame, first understand how medical supplies and drugs are purchased. In order to receive bulk discounts, hospitals and other care facilities outsource their supply management to GPOs.

For most of the 20th century, this arrangement allowed hospitals to enjoy lower costs. In return, they paid GPOs a small administrative fee.

In order to make more money, the GPO industry lobbied for a safe harbor provision to allow suppliers to pay GPO's kickbacks — sometimes more than half suppliers' total revenue for a product — in exchange for access to member hospitals. This has turned the hospital supply chain into a pay-to-play scheme. All Americans suffer as supply is diminished and prices skyrocket.

Anti-trust regulations prevent such pay-to-play scams from happening in the rest of the economy. But not in health care. Or prescription drugs. Pharmacy Benefit Managers (PBMs), the equivalent of GPOs for prescription drugs, were added to safe harbor in 2003. Since, drug prices have skyrocketed — and the market for generics has dried up because few manufacturers can pay to play.

To keep hospitals compliant and maintain the lucrative status quo, GPOs give “sharebacks” to the most compliant hospitals. Notice the conflict of interest: The supplier gets a protected market; GPOs get huge payouts; and providers get a cut. Everyone wins, except of course for patients, who face artificially low supply and high prices. This is cronyism in its purest and most cruel form.

The Government Accountability Office and Senate Finance Committee have found no savings from GPOs. And at a Federal Trade Commission workshop last November, even an industry attorney accustomed to reading from industry-provided talking points conceded the enormous conflict of interest in the health care supply chain. Yes, it is one huge conflict of interest that costs patients an estimated \$200 billion per year and makes life saving medications unaffordable or unavailable.

Repealing the safe harbor for kickbacks would criminalize these kickbacks once again. This would allow desperately needed common medications to access the market. No more payola to get in the market and no more payola to keep others out. There would be a renaissance in honest medical supply-making.

As physicians, it is our duty to protect patients from harm. In this case, from dangerous shortages and skyrocketing prices. That means pointing out that GPOs and PBMs are being granted safe harbor for legalized kickbacks. These are industries that do no research, and no production, but simply act as a middleman in the distribution process of products whose prices have skyrocketed.

Like Venezuela's toilet paper shortage, the shortage of something as cheap and basic as saline is proof of a broken economic model. Repealing safe harbor would fix it.

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