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MERRY CHRISTMAS

SOCIAL SECURITY MEDICINE

— BY EDWARD T. KELLEY, M.D.

Biographical Data: Edward T. Kelley is an orthopaedic surgeon in practice in San Francisco. He received an A.B. from Dartmouth College in 1948, and an M.D. from Harvard Medical School in 1952. He is currently a member of the Legislative Committee of the San Francisco Medical Society and a member of the Speakers' Bureau of the California Medical Association.

Recent remarks by the Secretary of the Department of Health, Education and Welfare and the efforts of twelve delegations of his department who are now touring the country at the citizens' expense would indicate that a fresh view of the Social Security approach to medical care of those over 65 should be given.

The King-Anderson Bill was introduced at the last session of our Congress and is now being studied by the House Ways and Means Committee. This bill would provide certain medical services to all benificiaries of the Social Security System and the Railroad Retirement Act who have reached the age of 65.

The cost is financed by increasing the Social Security Tax. In brief, it would provide ninety days of hospitalization subject to a charge of $10.00 per day for the first nine days of hospital care. It also would provide 180 days of nursing home service, but the combined total of hospitalization and nursing home care could not exceed 150 units. One unit would equal one day in the hospital.

The bill would also provide for home health services of a para-medical nature up to a maximum of 240 visits per year. It would provide for out-patient diagnostic services on a $20.00 deductible basis. Doctors' services are not included under this legislation, with the exception of those doctors who are employed by hospitals such as pathologists, radiologists, anesthesiologists, doctors working in outpatient departments, residents and interns.

A bill similar to this, the Forand Bill, was rejected by Congress a year ago in favor of the Kerr-Mills Bill. The Kerr-Mills Bill became law in the United States on October 1, 1960. By means of this law the Federal Government delivers federal funds to each state on a matching basis. The amount of the federal funds depends upon the per capita income of each state. The lower the per capita income, the greater the federal aid. Each state in turn forms its own legislation depending on the needs of each particular state. The administration of each state program is, therefore, on a local level.

The only part the Federal Government plays in this program is in its traditional role of the transference of funds from the Federal Government to each state government. By this method the Federal Government is excluded from the administration of medical service.

California's version of the Kerr-Mills Bill, which was backed by the California Medical Association, was passed in the Spring of 1961, and will take effect on January 1, 1962. It provides that anyone in California who is receiving old age assistance or is 65 years old and unable to pay for medical care will receive whatever medical care is required after a thirty day period of time. This means that anyone who has had an illness greater than thirty days' duration will not have their personal savings wiped out by a catastrophic disease. It also means that the plan will not be abused, as have government sponsored plans in other countries such as England and Canada.

The Kerr-Mills Bill is already operational in many states and is being instrumented by a total of 46 states and two territories. It provides for the medical care of those over 65 who are actually in need. This includes all of those now receiving benefits under the Old Age Assistance Program and anyone else over 65 who demonstrates that he cannot afford medical care. It will be in effect in California at least a year before the King-Anderson Bill could become operational for hospitals, and two years before it could become operational for nursing homes.

The huge majority of the doctors in this country and their elected representatives in the county medical societies, the state medical societies and the A.M.A. support the Kerr-Mills Bill. They are opposed to the King-Anderson Bill and the Social Security type of approach for financing medical care for the following reasons:

- The great majority of the aged are not actually in need, as is described by the statistics of the Department of Health, Education and Welfare itself. These figures show that the median income of a couple receiving Social Security benefits is $183.00 per month. Their net worth is $9620.00. Seventy-five per cent of them own their own homes, with the average value of $8360.00. Eighty-seven per cent of these homes are mortgage-free.

Five million of the fifteen million people over 65 in this country are still employed or are wives of those still employed. Eight million have voluntary health insurance. One million receive VA pensions. One and one-half million receive corporate pensions and an additional annuity insurance program.

Most people over 65 are in a better financial situation than those under 65. Their educational worries are over, and their families are raised. They depend mainly on their accumulated assets for support and not their monthly income.

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SOCIAL SECURITY MEDICINE (Continued)

Many of the proponents of the King-Anderson Bill repeat a favored statistic that three-fifth of the people over 65 years of age have an income of less than $1000.00 per year. This means that nine million of the fifteen million over 65 had an income of less than $1000.00 per year. There are, however, only two and one-half million people on old age assistance. The error of this statistic is, therefore, adequately shown in that the other seven and one-half million people do not qualify as being financially in need.

Actually 3/5 of the population under 65 has an income of less than $1000.00 per year, but this figure includes children, wives, and other dependents. Fifteen per cent of those people over 65 may not be able to pay for medical care themselves, but they are already receiving medical care under the provisions of the Old Age Assistance Act and other local measures which will both be supplemented by the Kerr-Mills Bill.

• The King-Anderson Bill would provide benefits to all those recipients of Social Security whether they needed care or not. Those most eligible for medical care on a tax-supported basis should be those already receiving old age assistance. Of the two and one-half million people on O.A.A., however, only 500,000 would receive benefits through the King-Anderson Bill. Through the Kerr-Mills Bill all of these people would be eligible. Those people on Social Security who did not need medical assistance and those people who did not want collectivized medicine would, in future years, be forced to pay for it under Social Security in addition to their purchase of private medical care.

• In our affluent society of today the number of people on the roles of the O.A.A. has decreased from twenty-two per cent of the total in 1950 to fifteen per cent in 1960. It is projected to decrease to eleven per cent in 1970. This means that the Kerr-Mills Bill would cost less and less as the people who really needed it became fewer.

The number of people on Social Security, however, is scheduled to climb rapidly, so that in 1970, twenty million people would be on Social Security.

The results of these two facts are that the King-Anderson Bill would cost more and more where it is not needed, whereas the Kerr-Mills Bill would be slowly faded out of existence as the need decreased. Senator Kerr of Oklahoma reports that forty per cent of the income of the people of the United States is not taxed under the present Social Security Tax Law. This is because any income over $5000.00 per year is not taxable. The result is that the burden of the King-Anderson Bill would be thrust upon those making less than $5000.00 per year. These individuals also do not have the usual benefits of income tax deductions. A man with a family pays as much Social Security Tax as does a single man. There are many with large families who are already paying more in Social Security Tax than they do in Federal Income Tax. It is obvious, therefore, that the financing of a medical program for the needy over 65 should come from the general tax fund and not through a Social Security Tax.

• If the King-Anderson Bill is enacted, it will mean a loss of still another portion of our traditional freedom. As the Bill stands now, Secretary Ribicoff states that all patients will have free choice of their physicians and their hospitals. The Bill states this in several places, but each statement is always followed by the proviso that all of the foregoing is subject to administrative directive of the Secretary of the Department of Health, Education and Welfare. Any participating hospital must be approved by Washington, and if the hospital is not approved according to the dictates of the Department, the patient will not have free choice of hospital. If the patient's physician is on the staff of this non-conforming hospital, then the patient is also denied free choice of physician, if he has to be hospitalized.

• Doctors are opposed to the King-Anderson Bill because of the huge inequity in the cost as compared with the Kerr-Mills Bill which is already the law of the land and has not yet been given a fair trial. It has been estimated that the King-Anderson Bill would cost one billion dollars during the first year of operation. This is contrasted with a figure released by a group of hospital insurance companies which estimates that it would cost 1.3 billion dollars for only two months of hospitalization at the present rate of consumption for the present beneficiaries of the Social Security System. It can also be compared with the figures from a state-sponsored old age health system in Colorado where the estimated cost for one year's operation was on the order of one million dollars but which rose rapidly to three million dollars, then to seven million dollars, and was most recently quoted as going broke at ten million dollars per year by the Wall Street Journal.

What government program has ever existed that did not continue to expand? Federal Government employees are already increasing at the rate of 711 each week.

The King-Anderson Bill is to be financed by an increase of one-half per cent in the Social Security Tax on a base of $5000.00 per year. This would soon prove to be inadequate, and the tax would have to be raised. Without the proposed health program the present Social Security Tax is scheduled to go to nine per cent by 1969. If the health plan is added the tax will go much higher and will not include the health needs of the individual paying the Social

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SOCIAL SECURITY MEDICINE (Continued)

Security Tax. It will instead pay for the health care of those who are now retired who never paid into the Social Security System for tax for medical care and neither need it nor want it.

Doctor's services are not included in the King-Anderson Bill, but doctors and their elected representatives in the American Medical Association oppose it since it would adversely affect the health of a large portion of our population and would be the foot-in-the-door for total socialized medicine which has been over-ruled by our Congress many times in the past.

For our state the Kerr-Mills Bill gives many more benefits than does the King-Anderson Bill. The only difference is that it gives it to people who need it rather than to those who neither need it nor want it.

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HAPPY

HOLIDAYS

from your
Synapse Editor

VETS HOST MEDS IN DAVIS DEBACLE

The overwhelming consensus of the senior med. students who went to the recent Davis shindig was "SMASHING" — they didn't mention what. Only one student found the trip disappointing; q.v. below. Over half the class piled into two chartered busses, one of which promptly got lost, in no less a locale than downtown Oakland. The entire assemblage finally assembled at the Davis campus, however, and after an hour of welcoming and introductions, the show was on. And as they say in show-business, it was a spectacular.

First there was a demonstration of artificial insemination of a cow; then the same poor cow was subjected to ruminotomy, during which procedure the surgeons found that their bovine beauty had lost its hitherto magnetic personality. The next procedure was called "casting a horse", and involved intra-jugular injection of just enough succinyl choline to render the horse immobile but not apneic. "Casting" is used to render large animals helpless so that they can be bound, pre-surgery or pre- other procedure: hence the venerable veterinarian verbum sapienti, "Don't fight the hand that bleeds you".

The demonstration-series was broken by a tour of the barns and kennels! This tour included kennel-calls to a Boxer with ulcerative colitis, a Siamese cat with tuberculosis, and an almost unbelievably tiny puppy with Staph. dermatitis — "juvenile acne", the vets facetiously called it. Then back to the demonstration-room for a panhysterectomy on a cat, with running commentary and (stationary) diagrams by one of the vet. students. This was followed by what was unanimously acclaimed as the highlight of the trip: the presentation of a case of canine Cushing's — a formal presentation, an admirable presentation, a presentation which made most of the visiting audience a little ashamed of their own comparatively slovenly presents. It was excellent, but enjoyable.

Everyone then adjourned to the Sacramento Inn for an hour or so (mostly so) of cocktails and social mixing. Rx: when most of the group were thoroughly mixed, a prime-rib dinner was added, to be followed by speeches and general conviviality and hilarity, p.c. There are vague reports that the party broke up around 11 p.m., but nobody seems to know when they all got back to San Francisco — or even whether they all did.

Disappointment of the Day: His Imminence, R. Frug, Frau_D. (i.e., Frauen-Doktor, the much Teutonic equivalent of our OBG-man) invested considerable time and effort in plying one of his feminine classmates with (to be sure, free) liquor, only to have her escorted home by one of his (erstwhile) friends. The moral, of course, is that bread cast upon the waters gets soggy and sinks.

— Art Babad

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"Your eyes are limpid pools, your lips like crushed strawberries, your teeth like pearls your tonsils will have to come out."

From "Nellies New Frontier"

From the Desk of the Union Director

To: *The Editors, Synapse*
From: *Mr. R. A. Alexander*

First things first, and on behalf of the Union Governing Board and staff, I would like to extend sincere wishes for a most MERRY CHRISTMAS and a HAPPY, meaningful NEW YEAR. It is hoped that the Christmas recess is a pleasant and relaxing time for you, and that 1962 brings continued personal and professional success.

In view of the holidays and the approach of the end of this semester, Union sponsored events between now and mid-January are at a relative minimum. A run-down follows:

FILMS

Friday, January 5 — "Othlello" — with Orson Welles

Friday, January 12 — "Genevieve" — terribly British and terribly funny

ART EXHIBITS

December 11—22: The oils and water-colors of Mrs. Robt. Hilton.

December 11—22: Paintings on a Congolese Theme

January 2—24: The oils of Mrs. Marjorie Connell

BOARD OF GOVERNORS

Will meet TUESDAY EVENING, January 9, 1962.

ROOM RESERVATIONS

All campus organizations are reminded of the fact that the Union is now accepting space reservations for the second semester and the 1962 Summer Session Applications may be secured in Room 240 of the Union. Since the demand for meeting space in the Union is continually increasing, you are urged to file your request just as quickly as possible.

SECOND SEMESTER EVENTS

Work on the "Master Activity Schedule" for the second semester is now very much in progress. Have YOU an idea for a new and different type of program? Are YOU interested in changes being made in any of our "standard" programs? Your ideas and suggestions are needed and invited. Drop in to Room 240 for a visit at your earliest conveinence.

DID YOU KNOW . . . . ?

. . . . . that since the Millberry Union opened thirty-eight (38) months ago, 2,512 events have been staged in the Building, attended by 132,666 persons? . . . . . and, that 51% of all scheduled events have been student functions? WHAT DID we do BEFORE we had a UNION BUILDING????

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"He's our friendly pharmacist."

From "Nellies New Frontier"

"It's really very simple. You have what we in the profession call a 'screw loose.'"

From "Nellies New Frontier"

REFLECTIONS ON THE CRITICS OF THE PHARMACEUTICAL INDUSTRY

There is a very highly vocal movement by some members of the health science professions to discredit the pharmaceutical manufacturer for some if not all of his practices. The time has come to evaluate some of these criticisms before we accept them, for such criticism must be valid if the industry is to be improved. Like all human organization there is room for improvement with pharmaceutical manufacturing. This, I believe, no one will doubt. Unfortunately there is room for improvement in the criticisms leveled at the manufacturers. This is a cry for justified criticism and an elimination of unjust criticism. There are three areas which I believe need analysis.

Much has been said about pharmaceutical advertising. Abuses do exist. There is false and misleading advertising, and this must be halted. However the success of such advertising is a mark against the members of the health professions as well as the manufacturers. But the critics go one step further. They frequently state that 24 cents out of every dollar spent on drugs is used for advertising. This would lead one to believe that if advertising were to be halted drug prices would fall by a maximum of 24 per cent. Such a statement, however, is misleading. It is made either because the critics intend to mislead or because they fail to analyze the problem. There is no excuse for either situation.

Advertising is carried out in order to increase the demand for the product through a shifting of the demand curve to the right. According to theories of mass-production as the quantities manufactured increase the average unit cost for it will during the initial phase fall, then for a period remain constant, then begin to rise. Thus we get the typical U-shaped average cost curve. If the manufacturer is operating in the area of decreasing costs, and most are, an increase in demand through advertising will reduce the average unit cost. There are three possible results from this action.

♦ If the decrease in average unit cost from increased production is equal to the increase in average unit cost from advertising expense there has been no net increase in costs, and prices would not fall if advertising were discontinued.

♦ If the decrease in average unit cost resulting from increased production is greater than the increase in average unit cost from advertising there has been a net decrease in costs. Such a decrease may result in higher profits, higher employee salaries, lower prices, or a combination of these. In this situation, a reduction or halting of advertising may result in an increase in price. The best that can be expected is no price change.

♦ If the decrease in average unit cost from production increases is less than the increase from advertising there has been a net increase in costs. This MAY result in higher prices, lower profits, or a combination of both. You cannot say with certainty that prices will fall if advertising is halted.

It becomes evident that one cannot say that prices are higher because of advertising, nor that prices would fall if advertising were stopped. Those making the statement that drug prices contain 24 cents for advertising are making a meaningless and misleading statement unless they go farther and show that condition three does indeed exist, and prices have indeed risen because of advertising. There is no evidence to my knowledge that this is the case. If these critics have such information they should make it available. If they do not they should use greater caution in making their statements.

The second problem area is that of patent rights. It is unfortunate that the patents system in the U.S. has been abused by many firms. It frequently is used as a means of controlling price, production, quality, and market shares among companies and within entire industries. Such abuses result in monopolies and higher prices, and as such are violating the Sherman Act. There is great need of new laws to prohibit such action.

The pharmaceutical manufacturer has been accused of such actions and is threatened with a new law designed as an instrument against the drug manufacturers alone. After a more than two year investigation, a recent F.T.C. Commission ruling has cleared 5 big drug manufacturers of price fixing. Similar prices says the Commissioner result from the market conditions and the demand characteristics of the product and not from illegal actions on the part of the manufacturer. If there is no illegal price fixing then surely these manufacturers are not guilty of violating present laws.

To pass a new patent law solely for restrictions in the drug industry would, I believe, be entirely unfair and discriminatory. The system has been abused; the drug manufacturer is not guilty. The only argument left is that a new law must be passed to appease the public. Again such action is hardly fair. It is unfair to pick out certain industries and pass restrictive laws against them. The patent system needs to be investigated; new laws may be needed, as the system may have outlived its usefulness. But equal application of the laws to all industries must come about. It is unfortunate that those critics of drug manufacturers do not point out these iniquities which would result, just as it is unfortunate that the manufacturers have distorted the picture.

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REFLECTIONS ON THE CRITICS OF THE PHARMACEUTICAL INDUSTRY (Continued)

The last area is that of costs, prices, and competition within the drug industry. The charge has been made that costs bear no relationship to price in the drug industry. Again the statement is true as far as it goes, but it is misleading or meaningless. Costs of production normally are not related to price except in a remote way. The drug industry is no different than all other industries. The F.T.C. Commissioner finds, contrary to what the critics would have us believe, that competition does exist in the industry.

The manufacturer makes only one decision in producing and that is how much to produce. Price in the drug industry is a given factor. The demand for most drugs is inelastic which means price reductions result in lower revenues. It becomes irrational to lower prices than since the manufacturer would be in a worse condition. Price is set by the originator who most likely bases it on his costs of production and research. For a competitor to enter the market at a lower price would be self-defeating because all other competitors would cut prices to meet his. This results in total lower revenues for all. Therefore price is a given factor to most producers.

The drug manufacturer is left with the decision of how much to produce and he will produce that amount which will be sold by him at the given price. That amount has some average unit cost which is unrelated to price.

Such a situation results from market imperfections and will not be remedied by any new legislation in the area of patents. It is a far deeper problem and to date no one has found an adequate solution as how to improve these market forces. To charge that costs and prices are unrelated shows, to say the least, a lack of understanding of our economic system on the part of the accuser.

When actions on the part of the drug manufacturer are contrary to professional and public welfare, we have a right and a duty to demand remedy. If it cannot be achieved inside professional ranks legislation is the only alternative. But we also have a responsibility to seek just legislation, and to counter unjust accusations. To do otherwise is failing in our obligations. We must be especially careful in making accusations to see that they are just and correct. We must not accuse simply to appease the public outcry, or because everyone else is doing so, or to advance personal images. Criticize where necessary but please defend when necessary. Do not make a sacrifice of the manufacturer because of imperfections in our economic system and in our professions.

— Vincent R. Gardner
Lecturer in Pharmacy Administration

"They'll sell like hotcakes."

From "Nellies New Frontier"

"I can't remember the name of the product, but it acts instantly, comes in a bright yellow and blue box, in a new dripless bottle, and it sponsors the 'Trail Boss' TV show."

From "Nellies New Frontier"

"Now here's something new in a roll-on applicator."

From "Nellies New Frontier"

DR. GARY L. PICHON, PHARMACY GRADUATE WINS LEHN & FINK GOLD MEDAL AWARD

Dr. Gary Lowell Pichon, of Dixon, California, who received his Doctor of Pharmacy degree from the University of California School of Pharmacy, San Francisco in June, has won the 1961 Lehn & Fink Gold Medal Award for outstanding achievement. He stood second in his class of 70.

The announcement was made at a meeting of the Student Body by Dr. Troy C. Daniels, Dean of the School of Pharmacy, on November 16th. Dr. Pichon was unable to attend as he is now in attendance at the University of California at Davis (pre-med) and has part-time employment at the U.C. Student Health Center as pharmacist.

Son of Mr. and Mrs. James H. Pichon of Dixon, Dr. Pichon attended Dixon High School and completed his pre-pharmacy work at the University of California in Berkeley. There he was awarded two California Alumni Scholarships, served as Librarian of the Bowles Hall Library, was a member of the student branch of the San Francisco Symphony Forum, and played clarinet in the University of California Band for two years.

At the School of Pharmacy, he was awarded the Women's Auxiliary to the California Pharmaceutical Association Scholarship in 1959, the Rexall Drug Company Award, and the Henry Benjamin Carey Scholarship in 1961. He is a member of the Rho Chi pharmacy honor society and served as a chapter vice-president for one year. He participated on the Committee for Noon Concerts for the San Francisco Medical Center Campus.

Dr. Pichon is also a member of the California Alumni Association, Cal Alumni Board, American Pharmaceutical Association, U.C. School of Pharmacy Alumni Association and the California Pharmaceutical Association. He received his degree of Bachelor of Science in Pharmacy in June, 1960.

The Gold Medal Award program, now in its 37th year, was originally established by Lehn & Fink Products Corporation, a leading producer of proprietary drugs, cosmetics and toiletries, as a stimulus to scholarship. The roster of accredited Colleges of Pharmacy bestowing the award has grown from less than 20 in 1924 to 63 across the nation for 1961. Over the years, it has acquired great prestige and now receives the highest recognition by faculty and student body alike. The shield-shaped plaque is prominently featured in campus displays throughout the school year and is engraved with the winner's name before the award ceremonies.

HAPPY NEW YEAR