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Innovation Gets Sick

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Reform: There are many problems on the health care road the country is being forced to take. But one not getting as much attention as it should is the harm done to a critically important sector: medical innovation.

The high costs, restricted choices and eventual rationing that will result from the Democrats' health care plan are being discussed to varying degrees by those who are uncomfortable with what's being rushed through Congress. But the final legislation's effect on medical innovation has been somewhat lost with so much attention focused elsewhere. So let us clarify:

The Democrats' plan will slow innovation of pharmaceuticals and medical devices.

If that failed to set off internal alarms, consider the comments of Robert Reich, secretary of labor under Bill Clinton. The left-wing academic explained it perfectly two years ago when he said that if government used its power "to force drug companies and insurance companies and medical suppliers to reduce their costs," it would mean "less innovation."

And that, he went on, "means less new products and less new drugs on the market, which means you are probably not going to live that much longer than your parents."

America is the king of medical innovation. When the **Cato Institute** measured the top 27 innovations from 1975 to 2000, the U.S., with a population of 307 million, had 20; the EU and Switzerland combined (population 499 million) had 14. (The total exceeds 27 because multiple nations sometimes share credit for innovations.)

When Cato measured the top 10 over that same era, the U.S. had nine of the innovations, the EU plus Switzerland had five.

Pharmaceutical innovations from 1968 to 2007 are almost identical. The U.S. developed 16 impact drugs, while the EU and Switzerland developed 15. But those countries also have a population 63% larger than that of the U.S.

"In three of the four general categories of innovation examined . . . the

United States has contributed more than any other country, and in some cases, more than all other countries combined," says Cato's "Bending the Productivity Curve: Why America Leads the World in Medical Innovation." Insufficient data prevented a conclusion in the fourth category.

If the profit motive is removed or weakened by legislation increasing Washington's control of health care, drug companies and medical device makers will lose the incentive to bring lifesaving and life-enhancing products to market. For now, the rest of the world follows America because the socialist health care systems abroad discourage innovation. But the U.S. will fall back to the pack under a health care regime designed by the Democrats.

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