



## SchwartzReport

## Covid-19: A case study on the psychology of exploitation

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*The SchwartzReport tracks emerging trends that will affect the world, particularly the United States. For EXPLORE it focuses on matters of health in the broadest sense of that term, including medical issues, changes in the biosphere, technology, and policy considerations, all of which will shape our culture and our lives.*

When medical historians look back on the Covid-19 pandemic, years after the pain, suffering, and death of this disease have faded from immediate emotions, I think what will stand out for them above all else is the grotesque financials of this pandemic.

It began with a Washington state resident returning from Wuhan, China on January 15, 2020, the first person in the United States diagnosed with a confirmed case of the 2019 novel coronavirus.<sup>1</sup> In 2021, one in 500 Americans had died because of Covid, in all its variants. The death rate is staggering. By March the 4<sup>th</sup> 2022, 103 million Americans, about a third of the population, had contracted Covid, and 1.13 millions had died. How did we get to these appalling statistics? The answer is one man, Donald Trump, and one party, the Republican Party. Is that a partisan political statement, or merely a statement of fact supported by multiple non-political surveys by recognized research organizations? It is, in fact, the latter.

When Covid entered the country in Washington State in January 2020, the Trump administration and the President himself did not really comprehend what a pandemic represented or how to handle a world-wide medical emergency. They had no plan. The protocols for such a medical emergency bequeathed to them by the Obama Administration were ignored simply because they came from Obama.<sup>2</sup> The problem was further exacerbated because historically Trump was inclined to a kind of pseudo-holistic medicine. Everyone in healthcare is aware of such individuals. He made this clear by what he said from the government's podium. Statements that have become legendary for their ludicrous inaccuracy.

As *Stat News* described it, "President Trump's pursuit of anti-science policy has been so effective that as the first cases of Covid-19 were breaking out in Wuhan, China, no meaningful science policy infrastructure was in place to advise him. As a consequence, America is suffering from a pandemic without a plan. Our responses are ineffectual and inconsistent. We are increasingly divided by misinformation and invidious messaging. And it's not even over."<sup>3</sup>

You could make the case that the reason Trump supported the development of vaccines was because he was pressed to do so by corporate supporters who recognized that a pandemic could be

astonishingly profitable, in a healthcare system in which profit not wellbeing was the first priority. Pfizer, Moderna, Johnson & Johnson and the other pharmaceutical companies, plausibly capable of creating such vaccines, recognized the opportunity and lobbied him on it. Trump might not understand medicine, but he did understand profit, and by September 2021, as Hanna Ziady at CNN reported, "Wall Street analysts are projecting Pfizer and Moderna will generate \$32 billion in Covid-19 vaccine revenue – next year alone."<sup>4</sup> In fact that was just the beginning. Moderna's Covid-19 vaccine sales hit \$1.7 billion in Covid-19 vaccine revenue. A year later in 2022, as reported in the Wall Street Journal, "Moderna reported \$17.7 billion in sales of its Covid-19 vaccine Spikevax for 2021, and predicted it would generate at least \$19 billion in Covid vaccine sales this year. (2022) For Moderna, which didn't have any marketed products before the pandemic, the vaccine has been transformational, pushing it into the top ranks of the biopharmaceutical industry."<sup>5</sup>

It isn't just the vaccines, however. Drug costs worldwide, but particularly in the United States, have been rising for years. In one year, from July 2021 to July 2022, the cost of more than 1,200 prescription drugs monitored by the United States Department of Health and Human Services (HHS) exceeded the inflation rate of 8.5%.<sup>6</sup> Price increases are particularly bad when it comes to medications because the purchase of a prescribed medicine constitutes a special category of transaction. You don't have to buy a new car. You don't have to buy a new computer. But if you are a diabetic or depend on some other kind of medication to sustain your health, you do have to buy your medicine. Drug companies know that, that is why they constantly advertise their drugs on television. Spend an hour watching MSNBC and count the medical commercials.

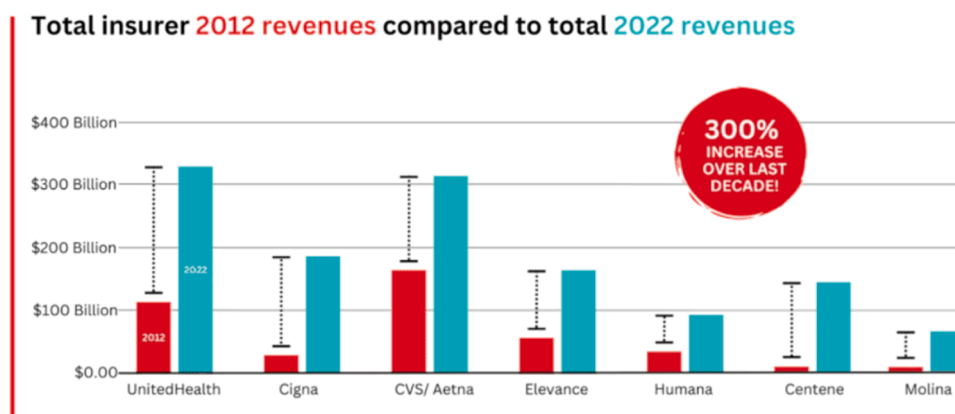
The Covid pandemic presents an example, a case study, of how America's healthcare is an illness profit system. Start with these two facts: the pharmaceutical companies took none of the risk to develop the vaccines from which they derived their profits, but are getting all the profit.<sup>7</sup> And it has been unbelievably profitable. It has, in fact, created nine new billionaires.<sup>8</sup>

"Pfizer (PFE) by itself hauled in \$19 billion in Covid-19 vaccine revenue in 2021, according to Morgan Stanley. That's on top of an estimated \$975 million in 2020 vaccine revenue."<sup>3</sup>

By the end of 2021 companies including Pfizer Inc. and Moderna Inc. profiting from a market that didn't exist a year earlier had reported at least \$79 billion in combined global sales of Covid-19 vaccines and

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Big insurers' revenues have grown dramatically over the past decade, the result of consolidation in the PBM business and taxpayer-supported Medicare and Medicaid programs.

Fig. 1.

treatments for 2021.<sup>9</sup>

Nor, in calculating benefits, does money alone take into account the prestige and public profile these companies are receiving by helping to end the worst pandemic in a century. Consider Moderna (MRNA), a barely launched biotech company that few people had even heard of before 2020.

In fairness there were corporations that behaved differently. AstraZeneca's Covid-19 vaccine was its second biggest seller in 2021, at \$4.1 billion in revenue. But the company pledged to sell the shot at-cost in the pandemic emergency and so it made little profit from it. The company lost money on the vaccine in the first half of the year and turned only a negligible profit since. AstraZeneca says it will now sell it at profit in some markets.

Drug costs worldwide are rising. In fact, from July 2021 to July 2022 the cost of more than 1,200 prescription drugs monitored by the United States Department of Health and Human Services (HHS) exceeded the inflation rate of 8.5%.<sup>1</sup> While inflation is affecting consumers at every turn, price increases are even worse when it comes to medications.

This profit bonanza, however, is much bigger than what I have described so far. The linkage between the pharmaceutical industry and the insurance industry is even more mind-boggling. Consider Fig. 1 which tracks insurance revenues.

According to research published in Healthcare Uncovered, "Analysis of the 2022 financial statements of United Health Group, CVS/Aetna, Cigna, Elevance, Humana, Centene, and Molina: respectively since 2012 due to explosive growth in the companies' pharmacy benefit management (PBM) businesses and the Medicare replacement plans they call Medicare Advantage.

The for-profits now control more than 80% of the national PBM market and more than 70% of the Medicare Advantage market.

In 2022, Big Insurance revenues reached \$1.25 trillion and profits soared to \$69.3 billion."

To really appreciate what is going on here, it is necessary to place these extraordinary profits in their cultural context.

Start with this: many hospitals, particularly in rural areas are not profitable enough and are closing by the hundreds. Based on research by inter-institutional team of professors Jane Bolin, Bree Watzak and Nancy Dickey, "More than 20% of our nation's rural hospitals, or 430 hospitals across 43 states, are near collapse. Since 2010, 113 rural hospitals across the country have closed, About 41% of rural hospitals nationally operate at a negative margin, meaning they lose more money than they earn from operations. Texas and Mississippi had the highest number of economically vulnerable facilities, according to a national health care finance report in 2016. These closures, when they occur, are having a devastating effect on health care but also the survival of their

small rural communities, they serve."<sup>10</sup>

According to the U.S. Department of Agriculture in 2022 the average age of a farmer in America was nearly 60.<sup>11</sup> In the 2017 Census, almost as many US farmer are 65 and older as younger than 55 (34% vs. 37%)<sup>3</sup> How overstressed is the rural system? Eric Berger reports one aspect. "Staff at Cullman Regional Medical Center located 50 miles north of Birmingham, Alabama, called 43 hospitals in three states to find a cardiac ICU bed for Ray DeMonia, a 73-year-old who spent most of his life in the antiques and auctions business, according to his obituary. The staff finally found a bed 200 miles away from Cullman, in Meridian, Mississippi, and DeMonia was airlifted there. He died on 1 September."<sup>12</sup>

Then consider "The latest drug spending trend report from pharmacy benefit manager Express Scripts Holding Company in 2015, the latest year for which I can find reliable data, shows 576,000 Americans with annual medication costs of \$50,000 or; a 63% increase in 2014 from 2013 when 352,000 Americans had such high costs. Patients in the top 5 percent of spending accounted for 61 percent of the country's medication expenses. So who is the average super spender? The report found he tends to be an older man. Three in 5 patients with medication costs of more than \$100,000 a year were baby boomers, born between 1946 and 1964, with men slightly overrepresented, at 56 percent of the group."<sup>13</sup>

Now factor in what Frederick Isasi, executive director of the health advocacy group Families USA, discovered: almost a third of the adult American population, and this even includes adults with insurance, don't take their medications as prescribed because they can't afford to.<sup>14</sup>

This is not a healthcare system whose primary purpose is to foster wellbeing, and to me the question is: why, despite the overwhelming evidence that it would be orders of magnitude cheaper, more efficient, and definitely nicer to live under does the United States not have universal birthright single-payer healthcare, and why in a crisis is there no alternative to doing what is needed on the basis of fostering wellbeing not generating profit? Why do we, as a culture think it is okay for a few people to make these kinds of profits dealing with a pandemic? The psychology of exploitation needs to become a subject for examination.

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