Pharmaceuticals impose embargo on Greek health service

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From the end of May until the middle of June, major pharmaceutical corporations imposed an embargo on Greek public hospitals in protest against the social democratic PASOK government's attempt to reduce the national health service debt. The boycott threatened a public health catastrophe in Greece, with doctors forced to delay medical procedures for lack of essential items.

The Papandreou government sought to sell the health service debt—which was built up largely due to overcharging by pharmaceuticals—as discount or "zero-coupon" bonds that would have forced pharmaceuticals to take an estimated 19 percent loss on a combined 6.2 billion in debt. The debt scheme was part of Athens' bid to carry out the diktats of global financial markets to slash public spending.

In response, companies withheld supplies to public hospitals to force the government to change its policy. A settlement was reached this week which has seen the average discount reduced to 15 percent, while 100 million euros worth of the debt has been given up front as cash to 500 companies, about 200,000 euros per company.

Unlike conventional bonds, zero-coupon bonds have no interest payment and are sold at lower prices than their face value, which is what yields the return on the investment. Although suppliers could sell their bonds directly to the banks, they were unhappy that redeeming the debt in this way would reduce the money owed them by nearly a fifth.

It was the second time in a month that drug companies withdrew supplies to blackmail Athens. The government announced on May 3 it would slash the price of all medicines by 25 percent as a component of 1.2 billion euros in budget cuts. In response, Danish pharmaceutical company Novo Nordisk announced on May 29 it would withdraw its supply of insulins. Novo Nordisk is the world's leading supplier of state-of-the-art insulin for diabetics.

Another Danish firm, Leo Pharma, gave the Greek government three months' notice, stating its intention to stop supplying a number of its medicines. The firm said 11 of its 29 products would continue to be supplied, but others including psoriasis medication Daivobet and an anti blood-clotting agent would be suspended.

The German pharmaceutical firm Merck continued to supply its drugs, but stated it "did not accept" the decree cutting prices and filed an appeal against it.

Vice President of Novo Nordisk, Mike Roulis, said it was impossible to sell drugs under the price reduction plan as it would lead to a loss of 6 million euros in the Greek market and a re-pricing domino effect across Europe.

Though Greece is a small market for Novo Nordisk—last year sales there accounted for less than one percent of its $8.37 billion in total revenue—it has been active in Greece for 20 years and controls 50 percent of the market for diabetic drugs. More importantly to the pharmaceutical industry, Novo Nordisk was able to seize on the Greek fiscal crisis to dictate terms to Athens over key aspects of health service policy.

On June 14 the PASOK government bowed to pressure from the company and restored prices to near their previous levels. Under the agreement Novo said the new prices were higher than those in a decree in force from May 3, but lower than the average of the three lowest prices in Europe. In a statement the company said, "It's still a price reduction compared with the prices before May 3. It's no longer 25 percent, but rather along the lines of 10 percent. We have therefore accepted the new temporary prices."

The embargo by pharmaceuticals in retaliation against the price reduction and the zero-coupon bond scheme threatened a social disaster, with hundreds of lives put in danger. More than 50,000 people in Greece use Novo Nordisk's fountain pen-like device to inject insulin. The

Greek diabetes association described the actions of Novo Nordisk as “brutal capitalist blackmail”.

According to an article in Ethnos on June 19, “Hospital administrators of ESY [Greek National Health Service] in the last 3 days of the embargo sent a dramatic SOS in respect to 580 critical cases. They appealed to suppliers of hospital for disposable items to make emergency provisions because lives were at risk.”

The article described how “in the country’s biggest hospital, Evaggelismos [in Athens], a heart clinic needed 3 pacemakers immediately. The administration gave the approval for the emergency supply. The price watchdog set the cost at 2,850 euros. Then the hospital contacted the suppliers who demanded 3,800 euros! A dramatic cycle of telephone conversations yielded a result, albeit an expensive one...”

Items in acute shortage included materials needed for blood tests and assorted chemical reactors necessary for diagnostic tests that determine whether surgery is needed. Also in shortage are disposable materials needed for emergency orthopaedic surgeries, surgical gloves, thread, and X-ray film.

Those suffering from kidney conditions were adversely affected by shortages of drugs and filters needed for dialysis. “An operation can be postponed, blood dialysis however cannot,” said Giorgos Kastrinakis, President of the Panhellenic Union of Kidney Sufferers. “Doctor’s tell us that while hospitals do have kidney filters there are only enough for a few days. Kidney sufferers have informed me that at Attikon hospital doctors advised them that to be safe rather than sorry they should find a private unit as filters are running out.”

In northern Greece doctors were forced to refer 500 patients who had undergone a kidney transplant to private hospitals as they were unable to carry out the intensive supervision required.

While the pharmaceutical industry acts as though it has been abused by the Greek national health system, in fact its debts are due in large measure to the gross overcharging by the drug suppliers.

Prices charged for items are often three times those in other European countries, something which has been common knowledge since at least 1995. Cardiologist Dimitris Katritsis, who carried out a study of pharmaceutical overpricing, told Kathimerini that he had “been raising this with ministers since [1995], but nothing has happened.”

On the contrary, the government took measures to compound the problem. Beginning in 2001, the Greek government declared a number of medical items, including pacemakers and kidney filters, to be “non-comparable” and therefore not subject to market competition. Costs would be limited only by price ceilings put in place by the government. As a result hospital debts rose from 2.5 billion euros in 2005 to 6.2 billion in 2009.

The new pricing regime cultivated a culture of corruption and criminality within the Greek health service. “Hospital debts were not only determined by supplying companies, since they don’t define prices unilaterally.” according to Kathimerini. “Someone is approving the prices.”

The ‘lobbies’ in hospital supplies are many and with opposing interests: Committees representing suppliers that are made up in their majority of doctors and elements within the heath and economics ministries, etc. [T]he kickbacks to doctors are an open secret, some of whom are shareholders in medical supply companies, a blatant violation of medical ethics.”

The withdrawal of drugs to entire countries, as in the case of Greece, reveals that the major pharmaceutical companies will go to any length to ensure the profitability of their operations. It must be taken as a warning to the working class in Europe and internationally.

Medical care, including the supply of prescription drugs, is a basic human right. It must be provided for free, based on need alone. The pharmaceutical companies and the other giant corporations that dominate health care must be expropriated from their billionaire owners and converted into democratically-run public utilities.

This can be achieved only through a mass social and political movement of the working class against capitalism and its political representatives in Athens and the other European capitals. These are the socialist measures posed by the present crisis in Greece.

The hospital shortages underline the parasitic nature of private health care companies and pharmaceutical providers, who hold entire populations ransom and put lives unnecessarily at risk in order to safeguard and maximise profits.