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Arthur Andersens of Medicine

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The Enron scandal features trusted professionals -- auditors -- who turn out to be corrupt, damaging the whole economy. Meanwhile, in what ought to be recognized as the national health scandal, we have trusted professionals -- doctors -- who are likewise corrupt, with even more expensive consequences.

Doctors are supposed to advise patients on their health. But doctors face financial incentives to be less than objective. Last year pharmaceutical companies spent $7 billion on sending gift-laden salesmen to woo doctors and another $2 billion on events for them. Doctors' coffee cups, stethoscopes and pens all are adorned with pharmaceutical logos. Their expenses-paid seminars in the Caribbean are conveniently invisible.

This is only the tip of the scandal. Doctors accept money from drug firms to serve as "consultants," and sometimes there's a direct financial incentive to push certain treatments. A blood-testing lab may pay doctors a percentage on the business they pass on; a pharmaceutical company may provide drugs to doctors at a discount so that they can be sold to patients at a nifty profit. The Medicare system -- meaning taxpayers -- -loses several hundred million dollars a year to this sort of scamming.

Hence Part I of the Enron parallel: Professional conflicts of interest. Auditors are supposed to watch over corporate management, but managers corrupt auditors' judgment with lucrative consulting contracts. Doctors are supposed to advise patients on which drugs they need, but drug firms corrupt their judgment with assorted blandishments. Corrupt auditors sign off on dubious financial statements which -- when later corrected -- can cost shareholders their shirts. Corrupt doctors sign dubious prescriptions that cost patients multimillions.

How many millions? Consider one simple calculation. In 2000, according to the Kaiser Family Foundation, Americans paid for 45 million prescriptions of the anti-inflammatory drugs Celebrex and Vioxx, even though nearly all patients could be treated just as well with over-the-counter ibuprofen. The Celebrex and Vioxx cost $3.7 billion, whereas 45 million bottles of ibuprofen at $3.99 a shot would have cost $180 million. In other words, dumb prescriptions for just two drugs cost the economy more than $3 billion.

Those examples are not alone. Of the 20 most frequently prescribed drugs, 15 (including the inflammatory culprits above) are under patent. Several could be partially replaced by generic drugs. But doctors stick with the expensive branded drugs that company salesmen press on them. This is the triumph of the Caribbean seminar. And this is why the price of the average prescription jumped 10 percent last year, despite a general inflation rate of about 1 percent.

The Enron analogy goes on. Just as the corruption of individual auditors is reinforced by the cozy oligopoly of audit firms, so collusion increasingly pervades doctoring. Hospital companies have been on a merger binge; in several cities now, one or two chains control more than half the hospital capacity. In Cleveland, for example, two systems control two-thirds of local beds; in Richmond, one firm controls two-fifths of them. Naturally, the hospital oligopolists are shoving prices up. In Richmond the average fee for treating chest pain shot up 47 percent between 1996 and 2000, according to the Wall Street Journal.

Finally there's politics. When government agencies tried to rein in auditor conflicts of interest in the past, the firms lobbied them into submission. Anyone who messes with the doctor-industrial complex risks the same treatment. The Food and Drug Administration has preached the benefits of cheap generic drugs, but the doctors only shrug. State governments have tried to impose a list of cost-effective medicines for use by Medicaid, but the pharmaceutical lobby is now suing them. In different ways, Bill Clinton and Newt Gingrich tried to rein in health costs. Both fell victim to shameless medagoguery.

The Enron factor in health care explains why costs are going through the roof, with nasty consequences for everybody. Insurance premiums are shooting up; firms will respond by holding down wages or cutting insurance coverage in order to stay even; the ranks of the uninsured will swell beyond their already shameful numbers. Containing this problem will take a national campaign, and happily the first signs of one are visible. A new coalition of businesses and state governments is pushing the cause of cheap generic drugs, and the American Association of Retired Persons has thrown its considerable weight behind this effort. Without reform, the health care system is "like Venice, sinking into the sea," says William Novelli, the AARP's boss. Last week, perhaps sensing the coming groundswell of outrage, the drug industry cooked up a voluntary code that may perhaps temper the worst of its marketing abuses.