ECONOMIC OUTLOOK

THE NEW ECONOMICS OF AIDS

by Jeffrey E. Harris

For most of the 1980s, AIDS killed its victims in a matter of months. No treatment existed to suppress, much less cure, the disease. The biggest economic worry was the colossal cost of hospitalizing a fast-growing population of acutely ill patients.

But that's changing: Over the next five years, AIDS in America will become a partially treatable disease. New drug therapies will help forestall AIDS in people infected with HIV, the AIDS virus. A very large number of AIDS victims will be alive and chronically, as opposed to acutely, ill--many of them will be able to keep working.

The new economics of AIDS means that the total national tab for treatment won't break the health-care system. Insurers will pay out more for antiviral drugs than for hospital care. The economic impact of AIDS will gradually shift to the workplace as companies try to accommodate employes who are being treated for AIDS or HIV.

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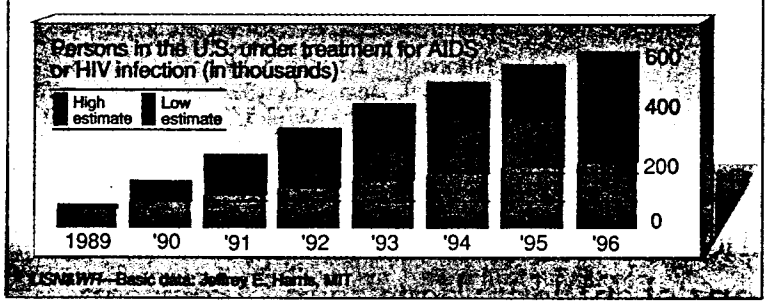
The AIDS case load will surge in the early 1990s



Four trends underlie the new economics of AIDS:

The epidemic is slowing. Total reported AIDS cases increased 220 percent from 1985 to 1987, but by only 135 percent from 1987 to 1989. The slowdown is confined to gay men. But two thirds of AIDS cases are gay men, and fewer than one quarter are needle-using addicts. While HIV continues to spread in drug-infested inner cities, the virus is diffusing at less than half the pace of the early 1980s: An estimated 27,000 to 92,000 new cases of HIV infection in 1989 vs. 157,000 to 181,000 in 1983. As a result, new AIDS cases will likely peak in the mid-1990s.

AIDS patients are living longer, and their quality of life is improving. Though no vaccine or cure for AIDS is imminent, median survival time has tripled since the early 1980s and could easily reach 2½ years by the mid-1990s. Even now, the average AIDS patient is more likely to be at home than in the hospital. Five years hence, he is more apt to be on the job than at home. Powerful antiviral drugs such as AZT can stave off HIV's attack on the body's immune system. With fewer, less frequent opportunistic illnesses, people with AIDS will resemble chronic cancer patients.

Increasingly, HIV-infected individuals are getting treatment before they come down with AIDS. New studies show that AZT can delay the onset of full-blown AIDS. By 1996, 10 to 50 percent of HIV-infected individuals could be taking antiviral drugs. Thus, the number of living Americans under treatment for either AIDS or HIV infections could reach 231,000 to 636,000 (see chart).

Though AIDS victims will be taking expensive antiviral drugs and living longer, they also will be hospitalized far less often. Newer drugs such as ddC will be prescribed in combination with AZT, permitting lower dosages and causing fewer side effects. The price of these and other antiviral drugs should fall as the market grows and competition increases. So per-patient treatment costs may shrink significantly by the mid-1990s. The yearly per-patient expense is apt to end up closer to the $5,000 it now costs for AZT than the $50,000 it takes to provide hospital care for an acutely ill AIDS patient.

The challenge for employers, insurance companies and health-care providers? To focus less on hospital bills and death benefits and more on keeping workers with AIDS or HIV infections on the job, extending insurance coverage to include antiviral drugs and managing outpatient care effectively. A few farsighted companies are already coming to grips with the new economics of AIDS, but many more need to do so.

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