

BLOOD PROFITS

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One thing I'd hoped to learn from this article was the size of the profits in the blood business, and how it compares with the various costs. The article says: (citations omitted)

"Average prices in 2010 ranged from \$154 to \$211 per unit. Average prices in 2010 ranged from \$154 to \$211 per unit to cover operating costs of collecting and storing the blood that include staff, facilities, equipment, and testing. Prices are contracted and hence do not typically change with short-term fluctuations in supply or demand; only 12 percent of US hospitals report prices increasing during periods of shortage. US patients on average pay hospitals \$334 per unit for whole blood.

The Red Cross charges over \$150 per unit of blood, it seems, and commercial outfits pay the donor no less than \$30 just for the plasma in a unit. That's a profit of at least \$30/unit if the commercial outfits and the Red Cross incur equal costs. It wasn't clear from the article how valuable plasma is compared to whole blood. Would a Red Cross profit of \$100/unit be a good guess?

One thing that goes unmentioned in the Titmuss discussions is the possibility of donor unhappiness with deceptive practices. The Red Cross does not publicize the profits it makes by selling blood. If donors knew of those profits, would they still want to donate? The Red Cross seems to have reasonable executive compensation from their 990 [See "Red Cross 990", below]. Probably its profit goes to subsidize Red Cross charitable activities. But, still, I think donors would consider it relevant information that the wholesaler makes \$100 from each donation and that the ultimate recipient pays \$300 for it.

It's also interesting that the hospital markup is 50-100% for blood. How much of that is economic profit? If half the blood has to be thrown out before its used, the economic profit could be zero. For a commodity product with no marketing costs to the retailer, this seems a high margin. I would, however, expect the insurance companies to keep an eye on it.

Red Cross 990