SINCE 1847 LEWISTON, MAINE

Sun Journal

TUESDAY, FEBRUARY 2, 1999 *Connecting you with your community* LEWISTON AREA EDITION 50 CENTS

Seniors vs. pharmaceuticals enthralls Congress

Tom Allen's bill gets the pot stirring in Washington.

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AUSTIN, Texas — Want to watch a great fight? You've already paid the admission fee for the heavyweight bout between the drug industry, which spends more on lobbying than any other industry, and the senior citizens of America, said to be the group most feared in Washington. (The National Rifle Association used to be the most feared lobby, but President Clinton proved that you can cross it and survive.)

This one is going to be a lulu, a true clash of titans; we could easily see someone's ear or worse get bitten off here.

The pharmaceutical industry spent $74.4 million lobbying in 1997 and boasts a row of killer, high-power lobbyists. In 1998, counting both individual and political action committee contributions, the industry gave $9.7 million directly to politicians, two-thirds of it to Republicans. That was up 53 percent from the last election cycle.

BUT — the senior citizens of America vote, and this issue is of intense concern to them. Biff-bam-pow! It's a dream duke-out; it's political fisticuffs at its finest.

President Clinton's proposal to put drug costs for the elderly on the Medicare tab will take quite some time to play out — it will cost in the neighborhood of $40 billion a year, and they don't spend that kind of money in Washington without a long discussion first. But there's a nifty bill by Rep. Tom Allen of Maine (a similar one by Jim Turner of Texas) that should cut through the flourishing and get straight to the heart of the matter.

Instead of having the government pick up the tab for seniors' drugs, Allen wants Medicare to function as a bulk buyer, so that seniors will get the same discounts already available to what the industry calls "favored customers." The only losers would be the drug companies, and are they steamed.

In the single funniest news release of last year, the Pharmaceutical Research and Manufacturers of America, the industry lobby, described Allen's bill as a "dagger pointed at the hearts of America's senior citizens." Right, sure. A dagger. Pointed at seniors. I haven't laughed so hard since the tobacco lobby last swore that smoking had nothing to do with lung cancer.

By creating a single buyer to act on behalf of the uninsured elderly, the federal government could negotiate cost reductions of up to 50 percent, Allen says. The cost disparities for drugs are so gross that the more you study them, the more confounded you become.

Medicare does not cover the cost of prescription drugs, except in a very few cases. Seniors who buy their own medicine are paying double what health maintenance organizations, hospitals, insurance companies, the Veterans Affairs folks and other bulk buyers pay.

The House Government Reform and Oversight Committee conducted studies in 20 congressional districts last summer to find out how great the disparities were. In the case of Synthroid, a common hormone treatment, they found the monthly retail cost to seniors was $27.05 — 1,446 percent more than the $1.75 paid by favored group purchasers.

Literally millions of senior citizens are being crushed by drug bills. The elderly make up 14 percent of the population, but they consume 30 percent of the prescription drugs, in part because many of them have chronic conditions and in part because medication can now take care of those who formerly would have been treated in nursing homes or hospitals. Each year, the average senior pays $350 out of pocket, compared with $69 for the average person under 65.

Of course, many seniors purchase Medigap insurance precisely because they are afraid of huge drug bills, but even the best Medigap policy pays for only half the cost of prescriptions and has a $250 deductible. Of course, those who are too poor to afford even Medigap insurance then wind up paying the full cost of prescriptions, so low-income seniors are actually subsidizing others. And the fact is, they can't do it.

Allen says the heart-breaking stories come in by the dozens: people whose health is breaking down because they can afford to take only half the recommended dosage of their prescriptions; wives who write to say they are forgoing medication because their husbands are sicker and it's more important that they have the medicine.

The drug companies don't sell at a discount just to outfits like the VA — they also sell their drugs cheaper in foreign countries. The House study found Canadians paying 72 percent less than Americans and Mexicans 102 percent less. Of course, this has led to a strange border traffic of geezer drug smugglers. The Drug Enforcement Administration is not enthusiastic about busting Granny for Zantac, but it has been cracking down.

Meanwhile, drug company profits are (as usual) enormous; the annual profits of the 10 leading drug companies were $20 billion in '97, according to Forbes magazine. They showed an operating profit margin of 28.7 percent — three times as much as companies such as Procter & Gamble and Colgate-Palmolive.

The House study showed that the profits are directly related to discriminatory pricing. Merck & Co. had 15 percent increases in both the second and third quarters of '98, and industry analysts attribute the jump to large part to sales of Zocor — a cholesterol medicine that sells for 144 percent more retail than to bulk buyers. Zocor accounted for 6 percent of Merck's revenues, according to the National Journal.

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