Public Citizen

With New Hamphsire Citizens Alliance for Action
and the New Hampshire Association for the Elderly

New Hampshire Seniors Pay More for Prescription Drugs While Pharmaceutical Profits Soar:

An Investigation into Prescription Drug Price Discrimination in New Hampshire

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Executive Summary

Part One: New Hampshire State Drug Price Survey

Thousands of New Hampshire senior citizens without prescription drug coverage face ***price discrimination*** by pharmaceutical manufacturers. A price survey of 30 randomly selected pharmacies in New Hampshire, conducted by the national consumer group Public Citizen, New Hampshire Citizens Alliance for Action, and the New Hampshire Association for the Elderly shows seniors are being charged retail prices ***more than double*** the prices charged by prescription drug makers to their most favored customers like HMOs, large insurers and federal agencies.

Senior volunteers surveyed the prices of ten of the most widely prescribed drugs for older adults at randomly selected pharmacies in the state of New Hampshire. The retail price was compared to the best federal price, which according to the U.S. General Accounting Office is equivalent to the price pharmaceutical manufacturers charge their most favored customers. Prices charged to local seniors without prescription drug coverage were ***more than double - about 103% more*** - than the most favored customer price.

For the top ten drugs used by seniors to treat a variety of illnesses, those in New Hampshire paid between 51% and 246% more than drug companies' most favored customers:

Drug	Condition Treated	Price Difference
Fosamax	osteoporosis	96% more
Lipitor	cholesterol	55% more
Norvasc	blood pressure	92% more
Pepcid	ulcer	51% more
Prevacid	ulcer	135% more
Prilosec	ulcer	104% more
Rezulin	diabetes	72% more
Ticlid	stroke	108% more
Zocor	cholesterol	246% more
Zoloft	depression	78% more

Part Two: Medicare Beneficiaries' Drug Coverage and Pharmaceutical Industry Price Discrimination and Profits

Instead of offering most favored prices to Medicare beneficiaries because of their huge collective buying power, pharmaceutical makers practice price discrimination against seniors and people with disabilities by charging them their highest retail prices. One out of three Medicare beneficiaries - 14 million older adults and people with disabilities - have no prescription drug coverage since Medicare does not cover most outpatient prescription drugs. They constitute a far larger purchasing block than any current customer receiving best price treatment from the pharmaceutical manufacturers.

In addition to the 14 million Medicare beneficiaries who have no coverage for prescription drugs and therefore pay high retail prices totally out-of-pocket, many more older adults have inadequate or insecure insurance coverage with high deductibles and co-payments and low annual caps. Moreover, Medicare

HMOs and employer plans are reducing drug coverage or raising costs for retirees.

The pharmaceutical industry profits handsomely from price discrimination. For decades, brand name prescription drug makers have consistently been among the most profitable industries in America. In 1998, pharmaceutical companies ranked first among all industries in rates of return on equity, assets, and revenues. Despite these high profits, the prescription drug industry pays much less in federal taxes than other major industries, according to a new study by the Congressional Research Service. Moreover, CEOs of the top ten pharmaceutical companies last year averaged $20 million in annual compensation, including stock options, and now hold nearly $1 billion in stock options.

The industry claims that high U.S. prescription drug prices are necessary to fund research and development. But R&D is a lower priority than profits for the manufacturers. In 1998, the top ten firms put one-and-a-half times as much money into profits as into R&D. Moreover, not everyone pays such high prices. Foreign consumers get U.S.-made drugs at a fraction of the price paid by American senior citizens because their governments negotiate fair prices with prescription drug makers.

Congress is currently considering legislation to prohibit price discrimination against people in the Medicare program and to add a comprehensive prescription drug benefit to Medicare:

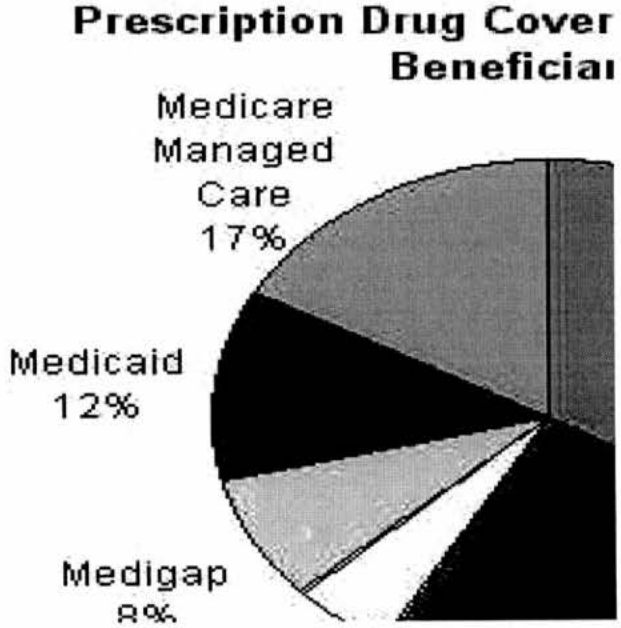
- "The Prescription Drug Fairness for Seniors Act" (H.R. 664/S.731) would harness the buying power of 39 million Medicare beneficiaries to allow seniors and the disabled access to the same low prices as drug companies' most favored customers. Pharmacies would purchase drugs for Medicare beneficiaries from the manufacturer at the same low prices charged favored customers such as the Departments of Defense and Veterans Affairs and other large purchasers. Since these prices are about half the retail prices paid by Medicare beneficiaries without prescription drug coverage, seniors will benefit from large cost savings even after fair pharmacy dispensing fees are included. H.R. 664/S. 731 have more support than any other prescription drug reform legislation in Congress - 138 House and 12 Senate co-sponsors as of December 29, 1999.
- President Clinton and Congressional leaders have proposed that a comprehensive prescription drug benefit be added to Medicare. However, to be cost effective such a benefit must use the bargaining power of the federal government and Medicare beneficiaries to negotiate significantly lower drug prices - similar to the savings that could be achieved under the "Prescription Drug Fairness for Seniors Act." Negotiating fair prices is the first step in constructing an affordable benefit plan - with low premiums, low or no co-payments, and good coverage for those with high as well as low or moderate drug expenditures.

New Hampshire seniors and people with disabilities want the presidential candidates and the members of our congressional delegation to endorse or co-sponsor H.R. 664 and S. 731 and to support a comprehensive Medicare prescription drug benefit that negotiates lower drug prices for beneficiaries.

Part One:

New Hampshire Seniors Pay More than Twice as Much as Most Favored Customers

The prescription drug price survey conducted by Public Citizen, New Hampshire Citizens Alliance for Action, and the New Hampshire Association for the Elderly found that New Hampshire seniors and the disabled without prescription drug coverage are victims of price discrimination by pharmaceutical manufacturers. The random sampling of 30 local pharmacies in New Hampshire found that seniors pay more than twice as much for retail prescription drugs as most favored customers such as HMOs, large insurers and federal agencies like the Departments of Veterans Affairs and Defense. For standard dosages of ten brand name patent drugs most commonly prescribed for seniors, the survey found that New Hampshire older adults pay about **103% more** than most favored customers - $181 versus $89 for equivalent dosages.[1]



Instead of offering most favored customer prices to New Hampshire Medicare beneficiaries because of their collective buying power, the survey found that pharmaceutical makers practice price discrimination against seniors by charging them their highest retail prices. The retail price that these seniors pay, as compared to the most favored customer price, ranged from 246% more for the cholesterol drug Zocor to 51% more for the ulcer drug Pepcid.

Table 1: New Hampshire Prescription Drug Price Survey Results

Prescription Drug	Use	Median Retail Price For Senior Citizens	Most Favored Customer/ Best Federal Price*	Price Differential for Seniors Who Pay Retail
Fosamax	Osteoporosis	$218	$111	96%
Lipitor	Cholesterol	$197	$127	55%
Norvasc	Blood Pressure	$123	$64	92%
Pepcid	Ulcer	$57	$38	51%
Prevacid	Ulcer	$385	$164	135%
Prilosec	Ulcer	$124	$61	104%
Rezulin	Diabetes	$160	$93	72%
Ticlid	Stroke	$77	$37	108%
Zocor	Cholesterol	$235	$68	246%
Zoloft	Depression	$232	$130	78%
Average price (Mean)		**$181**	**$89**	**103%**

*(*Includes $4 markup to reflect reasonable pharmacy dispensing fee. See Survey Methodology at the end of this section for sources and notes.)*

Osteoporosis is a major threat for 28 million Americans, 80% of whom are women. One out of every two women and one in eight men over 50 will have an osteoporosis-related bone fracture in their lifetime. The survey found that New Hampshire seniors pay ***96%*** more for Merck's osteoporosis drug ***Fosamax*** than most favored customers.

One-third of those over 65 have **high cholesterol**, a prime risk factor for life-threatening heart diseases and strokes if it is not controlled. The survey found that New Hampshire seniors pay ***55%*** more for Warner Lambert's ***Lipitor*** and ***246%*** more for Merck's ***Zocor*** than most favored customers.

High blood pressure (hypertension) affects almost 40% of those over 65. For New Hampshire seniors, Pfizer's ***Norvasc*** to control high blood pressure is priced ***92%*** higher than the company charges its most favored customers.

Nearly 25 million Americans currently suffer from **ulcer** disease; the condition is more common in those over 65 than in younger people. New Hampshire seniors pay ***51%*** more for Merck's ***Pepcid, 135%*** more for Abbott's ***Prevacid***, and ***104%*** more for AstraZeneca's ***Prilosec*** than the companies charge their most favored customers for the same drug.

Diabetes afflicts twice as many people over 65 as under that age; about 12.5% of seniors have the condition. Warner Lambert's diabetes drug ***Rezulin*** costs New Hampshire seniors ***72%*** more than the company's most favored customers pay.

Those over 65 are almost ten times more likely to suffer a **stroke** than younger persons. Roche's stroke medication ***Ticlid*** costs New Hampshire seniors ***108%*** more than most favored customers pay.

Late-life **depression** affects six million seniors, most of them women; older people with significant symptoms of depression have roughly 50% higher healthcare costs than non-depressed seniors. Pfizer's anti-depressant ***Zoloft*** is ***78%*** more expensive for New Hampshire seniors than for most favored customers.

Stories of New Hampshire Seniors Who Can't Afford Prescription Drugs

There are thousands of senior citizens and people with disabilities in New Hampshire without any prescription drug coverage. Thousands more are having a hard time trying to pay for their prescription drugs. Here are the stories of five older adults from New Hampshire struggling to get the drugs they need. They would all benefit from legislation that would allow them to purchase drugs at the most favored prices paid by HMOs, large insurers, and federal agencies.

Lucille and **Roland Boucher** are from Hudson, New Hampshire. Lucille spends $1,300 a year on her medications, which include Lotensin, Atenaoll, Urex, and Premarin. She has taken these medications for several years to control blood pressure and for hormone balance. She has never had difficulty paying for her drugs; she says, "We pay our bills and always have." She has maintained an AT&T drug discount program, for which she pays $7.50 a month, and this program discounts some, but not all, of her prescription drugs. She has a supplemental insurance policy without prescription coverage. Her husband Roland was recently diagnosed with rheumatoid arthritis and is undergoing a series of tests for a new infection. His new medications include Celebrex, Ultram, Methotrexate, and Leviquin. Roland is enrolled in an HMO, where his medications are covered by the plan.

However, New Hampshire-based HMO plans will terminate on December 31, 1999, leaving only a small fragment of the state with access to HMO coverage from Massachusetts-based plans next year. Roland will have to pay for his medications out-of-pocket next year, which will double their costs to about $2,600 a year.

Lucille and Roland's current and anticipated drug costs are measured against a fixed monthly income of $1,447 in Social Security and $257 private pension. They are hoping that Roland may be eligible for patient assistance (in the form of free pills) from the drug manufacturer, and have already collected some information. Lucille is a volunteer at the senior center in her community, and she says that there are people who have a greater hardship than her own in paying for their prescription medicines.

Russell and **Suzanne Woodard**, of Pierpont, New Hampshire, spend nearly 28% of their monthly income of $1,400 on prescription drugs. Suzanne takes Cardizem, Lipitor, Estraderm patches, and Ametrphyline. Russell take Cardizem, Imipramine, Synthroid, Creon, and insulin. They do not have insurance coverage for their prescription drugs. They are not eligible for patient assistance from the drug manufacturers, and though they were once able to obtain free insulin for three months, that was only a one-time arrangement with the hospital. When they cannot afford to pay for a prescription, the common strategy is to reduce the dosage (for example, from 3 to 2 pills a day) or delay filling the prescription. "Right now, we exist. We pay our bills from day to day." Russell and Suzanne rode the bus to Montreal in September, with Mike Wallace and the *60 Minutes* crew. They were able to purchase prescriptions there, paying $420 less than what they would have paid for the same drugs in the U.S.

Barbara Newton of Meredith, New Hampshire, is a cook with a very modest income. She pays approximately $1,800 a year for her prescription drugs. Her medications include potassium, Coumadin, Cozaar, Zaroxolyn, Digoxin, Forosemide, and Toprol. She takes these medications for her heart condition

and to keep her plastic heart valve functioning properly. Medicare disability does not cover the cost of her medications. She has a small AARP insurance plan to help pay for the drugs, but she says this is insignificant. Barbara was also on the bus with Mike Wallace and the *60 Minutes* crew, when senior citizens traveled to Canada to purchase prescription drugs at lower Canadian prices. She spent $400 (U.S. dollars) for a six month supply of pills and saved $502. The prices she paid as a non-citizen were 13% higher than a Canadian citizen would pay. She raises the question of why Canadian prices for U.S.-made drugs cost less in Canada than in the U.S. "Something has to be done. A lot of people spend more than I do for prescription drugs. There should be some way to lower the prices," she said.

Survey Methodology

The survey followed standard methodological protocols for a cross-sectional study with descriptive and analytic components.

Survey Drug Sample

The ten drugs selected for this survey were the most widely prescribed prescription drugs for senior citizens drawn from the 1998 list of the Pennsylvania Pharmaceutical Assistance Contract for the Elderly (PACE), as determined by dollar volume of sales. PACE is the largest state pharmaceutical assistance program for older adults and is frequently used as a data base for studies on prescription drug utilization by seniors. The dosages were the most commonly prescribed amounts according to the PACE data base. The top ten drugs did not include any generic drugs.

The ten drugs and their most commonly prescribed dosages were Fosamax (10 mg, 100 tablets), Lipitor (10 mg, 100 tablets), Norvasc (5 mg, 90 tablets), Pepcid (20 mg, 30 tablets), Prevacid (30 mg, 100 capsules), Prilosec (20 mg, 30 capsules), Rezulin (400 mg, 30 tablets), Ticlid (250 mg, 30 tablets), Zocor (20 mg, 60 tablets), and Zoloft (50 mg, 100 tablets).

Most Favored Customer/Best Federal Price

The most favored customer price was determined by the best federal price, usually the federal supply schedule price, provided by the Pharmacy Strategic Benefit Mangement Group of the Department of Veterans Affairs, which oversees the federal supply schedule prices. Neither the pharmaceutical industry nor the HMOs and large insurers make public drug prices paid by most favored private sector customers. But the U.S. General Accounting Office has found that "federal supply schedule prices represent the best publicly available information of the prices that pharmaceutical makers charge their most favored customers."[2]

Because the most favored customer/best federal price does not include a pharmacy dispensing fee, an average fee was added. Large purchasers like the federal and state governments and HMOs negotiate a fixed dispensing fee per prescription. Here are some sample fixed dispensing fees:

- HMOs: Specific fees are proprietary information, but industry observers indicate the fee is $4.00 or less per prescription paid to participating pharmacies.[3]

- New Hampshire: The federal government requires states to establish "a

reasonable dispensing fee" for the pharmacies participating in the Medicaid prescription drug program.[4] The New Hampshire dispensing fee is $2.50 per prescription.[5]

Based upon the best evidence, a $4 dispensing fee was added to the most favored customer/best federal price for each prescription.

Pharmacies

Thirty retail pharmacies in New Hampshire were selected randomly from the phone book Yellow Pages [a 95% confidence level].

Survey Administration, Quality Control, and Data Management

A draft survey instrument and written instructions to solicit surveys were developed. A pretest was administered to five retail pharmacists. The results were evaluated and the instrument, instructions, and training curriculum were modified to improve the administration of the survey questionnaire.

The final standard survey instrument was designed. Revised instructional materials, including an interviewing script explaining the study, were prepared. Interviewers were recruited and received training on interviewing techniques, the questionnaire, and a script. Interviewers were supervised by staff of survey sponsor organizations. Pharmacists in 30 drug stores in New Hampshire were interviewed with the survey instrument and script during weekday morning and afternoon hours by the volunteer interviewers. A condition of the interview was anonymity for individual respondents. Results were analyzed by Public Citizen staff. Questionnaires were dated, coded for anonymity, and entered into a standard statistical spreadsheet program.

Part Two:
Skyrocketing Prescription Drug Costs Hit Seniors Hard

Prescription drugs are the fastest growing health care expenditure in the United States. The number of retail prescriptions grew 8% from 1998 to 1999, rising to almost three billion prescriptions annually.[6] But prices for prescription drugs are rising even faster. Americans will spend more than $121 billion for retail pharmaceutical drugs in 1999, an increase of 18% over 1998.[7] Prescription drugs rank behind only hospital and physician costs among all health care expenditures.[8]

Prescription drug spending is projected to rise more than twice as fast as all other health care costs this year.[9] The federal Health Care Financing Administration (HCFA) forecasts a 138% increase in total drug spending over the next ten years.[10] This rate of increase would be almost four times the projected growth in the Consumer Price Index, which determines increases in Social Security payments, the lifeblood of many seniors.[11]

Medicare Does Not Cover the Prescription Drugs Seniors Rely On

Medicare recipients are especially dependent on prescription drugs in order to maintain good health. Senior citizens are 12% of the population but account for

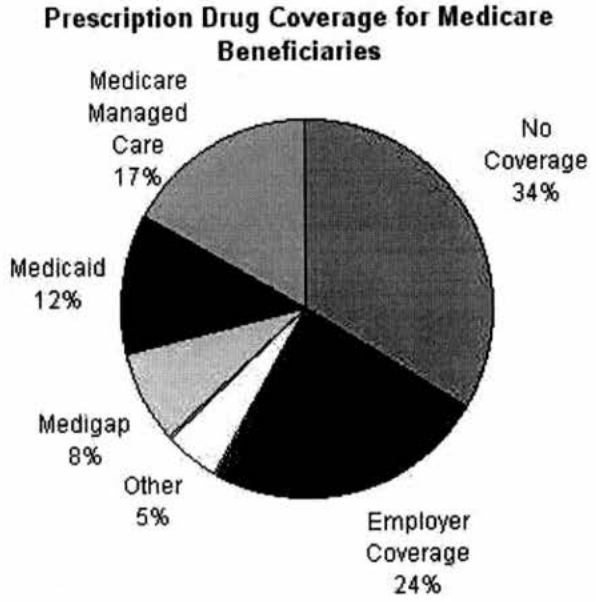
about one-third of all prescription drug spending.[12] The average Medicare beneficiary fills eighteen prescriptions a year.[13] Moreover, 80% of retired Americans take at least one prescribed drug every day, spending on average $942 a year.[14]

About 39 million Americans have most of their health care costs paid for by Medicare because they are over the age of 65 or disabled. Yet, Medicare offers almost no outpatient prescription drug coverage. Medicare only covers prescription drugs used in a hospital or nursing home, immunosuppressive drugs, erythropoeitin, oral anti-cancer drugs, hemophilia clotting factors, and some vaccines. Generally, any drug that can be self administered is not covered.

One in Three Seniors Has No Drug Coverage; Millions More Need Help

Most Medicare recipients have few options to reduce or contain their prescription costs. At least one in three, or more than 14 million beneficiaries, has no drug insurance coverage at all.[15] They must pay all costs out-of-pocket.

Another 24% of retirees nationwide are covered through employer group plans. But the number of firms offering retiree health coverage has dropped from 40% to 30% in the past four years.[16] And many of these retirees are still at risk since employers are capping prescription drug coverage, charging higher deductibles, and requiring co-payments of as much as $30 per prescription.



About 8% of U.S. seniors purchase expensive Medigap insurance policies, which provide inadequate prescription drug coverage and increase premiums with age. Almost all of the seniors who have purchased Medigap drug coverage are enrolled in two plans with an average annual premium of $1,080, with coverage capped at $1,250 a year, a 50% co-pay and a $250 annual deductible.[17]

Medicaid, the Department of Veterans Affairs, and other public programs provide prescription drug coverage for 17% of beneficiaries, including many of the poorest or most medically needy beneficiaries.

Nationally about one out of six seniors, or 17%, has coverage through Medicare HMOs. Many participants were recruited by initial offers of free prescription drug coverage, but according to the Health Care Financing Administration, all HMOs will charge co-pays next year, and 86% of HMOs will cap prescription drug coverage in 2000.[18] Almost 60% of all plans will cap coverage below $1,000 and 32% will have a $500 or lower cap. HCFA also reports that HMO co-payments for brand name drugs will increase by 21% and generic co-pays will increase 8% next year. Meanwhile, Medicare HMOs will have dumped more than 734,000 seniors from coverage in 1999 and 2000.[19]

This patchwork of prescription drug coverage leaves three out of four Medicare beneficiaries without decent, dependable coverage for prescription drugs. If recent trends continue, their drug coverage will continue to erode.

Elderly Struggle with Rising Out-of-Pocket Costs for Drugs

Senior citizens pay on average almost 20% of their income in out-of-pocket health care costs.[20] Medicare beneficiaries pay about half of the cost of their prescription drugs out-of-pocket, while the population as a whole pays just one-third of their total drug costs out-of-pocket. Those with Medigap coverage pay on average 80% of their drug costs out-of-pocket.[21]

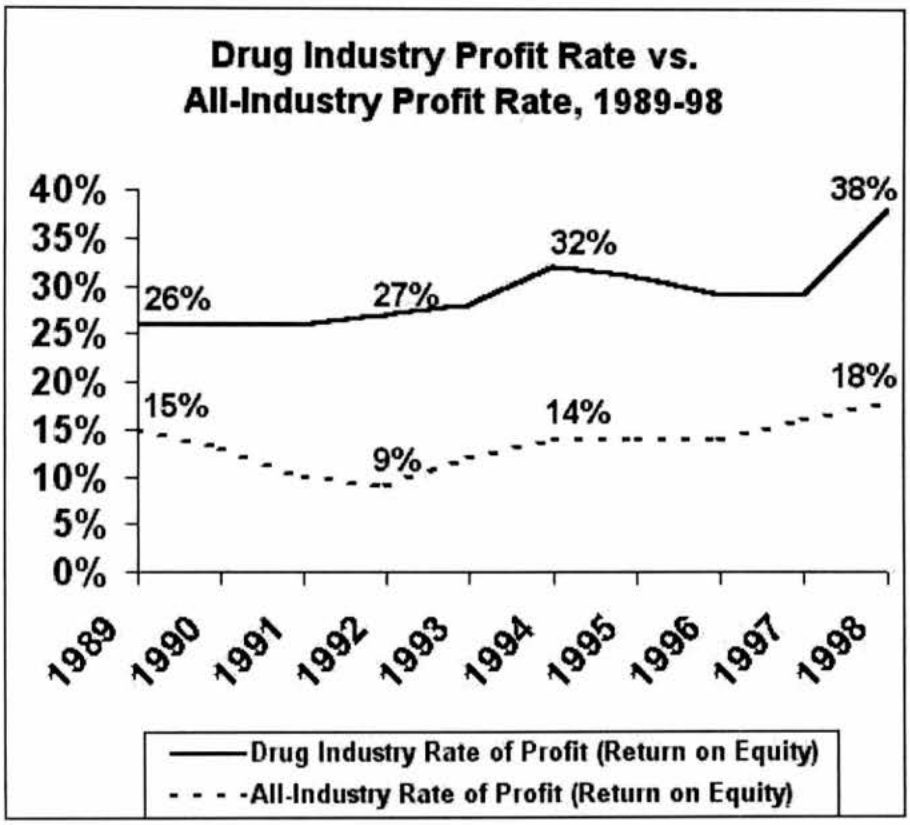
Senior citizens need pharmaceutical coverage because they use more drugs than any other age group. But having retired on fixed incomes, too many older adults cannot afford to pay for the prescription drugs they need to stay alive and well.

Pharmaceutical Companies Profit Handsomely from Price Discrimination

The Most Profitable Industry in America

Prescription drug company earnings are skyrocketing along with drug prices. Pharmaceutical manufacturers are the most profitable industry in America - and have been for a long time.

- The prescription drug business ranked most profitable among 37 industries in 1998, as measured by rates of return on revenue, equity, and assets, according to *Fortune Magazine*. The profit rate was an extraordinary 38% for return on equity.[22]
- Pharmaceutical makers rank as the most profitable industry for the past ten years and are consistently among the top two most profitable industries for the past thirty years.[23]
- In the 1990s, the median profit rate for prescription drug makers was two-and-a-quarter times that of other Fortune 500 corporations.[24]
- CEOs of the top ten prescription drug makers averaged $10 million each in salary last year - and doubled their compensation by receiving nearly $10 million apiece in stock option grants. Together these ten CEOs held more than $920 million in stock options.[25]



Source: Sager, Afforable Medications for All.

Recent press reports reveal that earnings and profits for the manufacturers of the top ten drugs used by seniors continued to increase at double digit rates for the third quarter of 1999. Sales of **Warner Lambert's** anti-cholesterol medication ***Lipitor*** increased by more than two-thirds between the second and third quarters, from $570 million to $960 million, driving company profits up 38 percent over a year earlier.[26] **Pfizer** reported third quarter earnings up 36% over a year earlier, fueled by strong sales of its top drugs, including ***Norvasc*** (the company's top selling drug) and ***Zoloft*** (its second highest seller).[27] "Over the past decade, **Merck**...has led the industry with $26 billion in sales; names like ***Zocor, Pepcid*** and ***Vasotec*** line America's medicine cabinets."[28] "**Abbott** is profiting from the ulcer drug ***Prevacid***...[in the third quarter]."[29]

Foreign Consumers Pay Much Less for U.S.-Made Drugs than U.S. Consumers

U.S. pharmaceutical manufacturers charge lower prices overseas for U.S.-made prescription drugs than they charge American consumers. American seniors can cross the border to Canada or Mexico and purchase American-made drugs for 25% to 50% less than at home.[30] The contrast is even greater with other industrial countries: on average, the Swedish pay 69%, the British 64%, the French 57%, and the Italians only 51% of the prices paid by Americans for the same prescription drugs.[31] Because their governments negotiate fair prices with American drug makers, foreign consumers pay far less than American senior citizens and still benefit from our research and development.

U.S. Drug Industry Pays Much Less in Taxes than Other Industries

While the prescription drug industry is price gouging seniors who lack prescription drug coverage, U.S. pharmaceutical manufacturers are also

shortchanging the taxpayers according to an analysis prepared by the Congressional Research Service for the minority staff of the Joint Economic Committee. Drug makers paid only 59% of the average federal tax rate paid by other major industries from 1993-1996. Overall, the pharmaceutical industry paid an effective U.S. tax rate of 16.2%, whereas companies in all other major industries paid 27.3%. The study also found that after-tax profits for the drug industry were more than three times greater than other major industries: 17% compared to 5%.[32]

Research and Development Myths and Facts

Pharmaceutical manufacturers deny that they practice price discrimination. Instead, they justify high prices as the cost for research and development. Their industry trade association, Pharmaceutical Research and Manufacturers of America or PhRMA, argues research would decrease and production of wonder drugs would decline if consumers paid lower prices. This scare tactic seeks to obscure the fact that R&D is a much lower priority than profits for this industry.

Table 2 below presents the record of the ten largest U.S. prescription drug makers, which account for more than one-third of industry revenues. Their 1998 annual reports were reviewed to examine how their revenues were allocated between profits and research and development.[33] The findings reveal the hypocrisy of the pharmaceutical industry with regard to R&D.

Table 2: 1998 Profits Vs. R&D: Top Ten U.S. Pharmaceutical Companies

Company	Net income as a percent of net sales	R&D as a percent of net sales	Ratio of net income to R&D
Bristol-Myers Squibb	17.2%	8.5%	2.0
Abbott	18.7%	9.8%	1.9
Merck	19.5%	10.6%	1.8
Schering-Plough	21.7%	12.5%	1.7
American Home Products	18.4%	12.2%	1.5
Pfizer*	24.7%	16.8%	1.5
Warner-Lambert	12.3%	8.6%	1.4
Johnson & Johnson	13.0%	10.3%	1.3
Eli Lilly	22.7%	18.8%	1.2
Pharmacia & Upjohn	10.2%	17.7%	0.6

*Includes Alliance revenue.
(Source: *Fortune Magazine*'s top ten pharmaceutical companies ranked by sales, in this chart in declining order by ratio of net income to R&D. Company figures from 1998 Annual Reports, Table of Consolidated Statement of Earnings.)

One of the top ten put twice as much, and three others put close to twice as much, into profits as went into R&D in 1998. The median firms of the top ten (American Home Products and Pfizer) had profit rates 50% higher than their R&D expenditures. Nine of ten companies had higher profits (net income) than research expenditures.

Conclusion: Congress Must End Price Discrimination and Let Seniors Use Their Buying Power to Get Fair Drug Prices

While thousands of New Hampshire seniors and people with disabilities and millions of disabled and older adults across America face price discrimination by prescription drug manufacturers, Congress is now debating bills that would end this practice of discrimination against seniors and add a comprehensive prescription drug benefit to Medicare.

"The Prescription Drug Fairness for Seniors Act" (H.R. 664/S. 731) would end price discrimination and harness the purchasing power of 39 million seniors and people with disabilities on Medicare. The Act requires pharmaceutical manufacturers to give local pharmacies the same "best" price for Medicare beneficiaries as they give their most favored customers.

Pharmacies would then purchase prescription drugs for Medicare beneficiaries from the manufacturer at the same low prices available to the federal government and other large purchasers. Since these prices are about one-half the retail prices paid by Medicare beneficiaries in New Hampshire, seniors would be able to benefit from large cost savings after fair pharmacy dispensing fees are included. The Act creates no federal bureaucracy and requires little taxpayer money. "The Prescription Drug Fairness for Seniors Act" has more support than any other prescription drug reform legislation in Congress - 138 House and 12 Senate co-sponsors as of December 29, 1999.

President Clinton and Congress are also debating adding a comprehensive prescription drug benefit to Medicare. To be truly cost-effective for both seniors and taxpayers, a comprehensive outpatient prescription drug benefit must also use the bargaining power of the federal government and Medicare beneficiaries to negotiate significantly lower drug prices, similar to the "Prescription Drug Fairness for Seniors Act." Negotiated prices are the first step in constructing an affordable benefit plan - one with low premiums, low or no co-payments, and good coverage for those with high as well as low or moderate drug expenditures.

New Hampshire seniors and people with disabilities want the presidential candidates, and the state's U.S. Senators and Representatives to oppose price discrimination against Medicare beneficiaries by pharmaceutical manufacturers. The presidential candidates and our federal lawmakers should declare their support for the "Prescription Drug Fairness for Seniors Act." They also should support a comprehensive Medicare drug benefit that also uses the bargaining power of the federal government to negotiate reduced drug prices so that such a benefit is affordable.

About Public Citizen, New Hampshire Citizens Alliance for Action, and the New Hampshire Association for the Elderly

Public Citizen is a 150,000 member national non-profit, non-partisan public interest group based in Washington, D.C. Public Citizen has 839 members and supporters in New Hampshire. Since its founding by Ralph Nader in 1971, Public Citizen has fought for consumer rights, government and corporate accountability, campaign finance reform, a clean environment, and health and safety protection through lobbying, public education, research, and media outreach. Public Citizen has launched the Campaign for Affordable Prescriptions to educate the public and mobilize grassroots support for fair pharmaceutical prices. This report was prepared by Congress Watch, a division of Public Citizen.

New Hampshire Citizens Alliance for Action is a state-wide non-partisan grassroots advocacy organization which works to improve the quality of life for New Hampshire citizens.

The New Hampshire Association for the Elderly is a non-profit membership organization that educates and empowers senior citizens to act on issues related to retirement benefits, health care, community building and quality of life, not just for seniors but for future generations.

Notes

1. The average differential for all ten drugs between the retail price for equivalent dosages paid by seniors and that paid by most favored customers is shown in order to provide a composite overview of the results of this survey. It does not reflect any one individual's experience, since one person would not be taking all ten drugs at the same time. It should also be noted that the time periods vary between drugs, since the survey reports prices for the most commonly prescribed dosage: in some cases, a three months supply; in others, a shorter period.

2. Correspondence by William J. Scanlon, Director, Health Financing and Public Health Section, U.S. General Accounting Office, April 21, 1999.

3. Public Citizen interviews with independent pharmacists, pharmacy association staff, and Congressional staff, August 1999.

4. Health Care Financing Administration (HCFA), *Department of Health and Human Services (DHHS)*, 42CFR447.331(b)(1).

5. National Association of Chain Drug Stores, *Medicaid Pharmacy Reimbursement,* www.nacds.org, August 1999.

6. National Association of Chain Drug Stores, News Release (August 29, 1999), www.nacds.org

7. Ibid.

8. HCFA, DHHS, National Health Expenditures Projections, July 19, 1999, www.hcfa.gov/stats/NHE-Proj/proj1998.

9. Ibid.

10. Ibid.

11. Bureau of Labor Statistics, July 1999, http://stats.bls.gov/news.release/cpi.nws.htm.

12. Stephen Long, *Prescription Drugs and the Elderly: Issues and Options,* Health Affairs, Spring II 1994, Vol. 13, No. 2, page 159.

13. Margaret Davis, et al, *Prescription Drug Coverage, Utilization, and Spending Among Medicare Beneficiaries.* Health Affairs, January-February 1999, Vol. 18, No. 1, pages 231-243.

14. Michael E. Gluck, *A Medicare Prescription Drug Benefit*, National Academy of Social Insurance Brief, April 1999.

15. M. Davis, op. cit.

16. National Economic Council/Domestic Policy Council, Executive Office of the President, *Disturbing Trends and Dangerous Trends: Facts About Medicare Beneficiaries and Prescription Drug Coverage*, July 22, 1999.

17. AARP, *Selecting Medicare Supplemental Insurance*, May 1999.

18. HCFA, DHHS, *Medicare+Choice: Changes for the Year 2000*, September 1999.

19. HCFA, DHHS, Factsheet, July 15, 1999.

20. M. Davis, op. cit.

21. AARP Public Policy Institute and the Lewin Group, *Out-of-Pocket Health Spending by Medicare Beneficiaries Age 65 and Older: 1997 Projections*, December 1997.

22. Fortune Magazine, *1999 Fortune 500*, April 1999. www.pathfinder.com/fortune/fortune500/medians9.html.

23. Alan Sager and Deborah Socolar, *Affordable Medications for All*, Access and Affordability Monitoring Project, Boston University School of Public Health, www.house.gov/berry/prescriptiondrugs/studies.htm. Comparison is based upon median rate of profit for return on equity.

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