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**Prescription Drug Pricing in the 11th Congressional District in Ohio:
Drug Companies Profit at the Expense of Older Americans**

Prepared for Rep. Stephanie Tubbs Jones

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U.S. House of Representatives**

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EXECUTIVE SUMMARY

This staff report was prepared at the request of Rep. Stephanie Tubbs Jones of Ohio. In Mrs. Jones's district, as in many other congressional districts around the country, older Americans are increasingly concerned about the high prices that they pay for prescription drugs. Mrs. Jones requested that the minority staff of the Committee on Government Reform investigate this issue. This report is the first report to quantify the extent of prescription drug price discrimination in Mrs. Jones's district and its impacts on seniors.

Numerous studies have concluded that many older Americans pay high prices for prescription drugs and have a difficult time paying for the drugs they need. This study presents disturbing evidence about the cause of these high prices. The findings indicate that older Americans and others who pay for their own drugs are charged far more for their prescription drugs than are the drug companies' most favored customers, such as large insurance companies, health maintenance organizations, and the federal government. The findings show that a senior citizen in Mrs. Jones's district paying for his or her own prescription drugs must pay, on average, more than twice as much for the drugs as the drug companies' favored customers. The study found that this is an unusually large price differential -- more than six times greater than the average price differential for other consumer goods.

It appears that drug companies are engaged in a form of "discriminatory" pricing that victimizes those who are least able to afford it. Large corporate, governmental, and institutional customers with market power are able to buy their drugs at discounted prices. Drug companies then raise prices for sales to seniors and others who pay for drugs themselves to compensate for these discounts to the favored customers.

Older Americans are having an increasingly difficult time affording prescription drugs. By one estimate, more than one in eight older Americans has been forced to choose between buying food and buying medicine. Preventing the pharmaceutical industry's discriminatory pricing -- and thereby reducing the cost of prescription drugs for seniors and other individuals -- will improve the health and financial well-being of millions of older Americans.

A. Methodology

This study investigates the pricing of the five brand name prescription drugs with the highest sales to the elderly. It estimates the differential between the price charged to the drug companies' most favored customers, such as large insurance companies, HMOs, and certain federal government purchasers, and the price charged to seniors. The results are based on a survey of retail prescription drug prices in chain and independently owned drug stores in Mrs. Jones's congressional district in Ohio. These prices are compared to the prices paid by the drug companies' most favored customers. For comparison purposes, the study also estimates the differential between prices for favored customers and retail prices for other consumer items.

B. Findings

The study finds that:

- **Older Americans pay inflated prices for commonly used drugs.** For the five drugs investigated in this study, the average price differential was 143% (Table 1). This means that senior citizens and other individuals who pay for their own drugs pay more than twice as much for these drugs than do the drug companies' most favored customers. In dollar terms, senior citizens must pay \$62.66 to \$106.14 more per prescription for these five drugs than favored customers.

Table 1: Average Prices in Mrs. Jones's District for the Five Best-Selling Drugs for Older Americans Are More Than Twice as High as the Prices That Drug Companies Charge Their Most Favored Customers.

Prescription Drug	Manufacturer	Use	Prices For Favored Customers	Prices For Seniors	Differential For Senior Citizens	
					Percent	Dollar
Zocor	Merck	Cholesterol	\$27.00	\$112.26	316%	\$85.26
Prilosec	Astra/Merck	Ulcers	\$59.10	\$125.72	113%	\$66.62
Norvasc	Pfizer, Inc.	High Blood Pressure	\$59.71	\$122.37	105%	\$62.66
Procardia XL	Pfizer, Inc.	Heart Problems	\$68.35	\$134.53	97%	\$66.18
Zoloft	Pfizer, Inc.	Depression	\$125.73	\$231.87	84%	\$106.14
Average Price Differential					143%	

- **For other popular drugs, the price differential is even higher.** This study also analyzed a number of other popular drugs used by older Americans, and in some cases found even higher price differentials (Table 2). The drug with the highest price differential was Synthroid, a commonly used hormone treatment manufactured by Knoll Pharmaceuticals. For this drug, the price differential for senior citizens in Mrs. Jones's congressional district was 1,679%. An equivalent quantity of this drug would cost the manufacturers' favored customers only \$1.75, but would cost the average senior citizen in Mrs. Jones's district over \$31.00. For Micronase, a diabetes treatment manufactured by Upjohn, an equivalent dose would cost the favored customers \$10.05, while seniors in Mrs. Jones's district are charged an average of \$49.69. The price differential was 394%.

Table 2: Price Differentials for Some Drugs Are More Than 1,650%.

Prescription Drug	Manufacturer	Use	Prices for Favored Customers	Prices for Seniors	Price Differential for Seniors
Synthroid	Knoll Pharmaceuticals	Hormone Treatment	\$1.75	\$31.13	1679%
Micronase	Upjohn	Diabetes	\$10.05	\$49.69	394%

- **Price differentials are far higher for drugs than they are for other goods.** This study compared drug prices at the retail level to the prices that the pharmaceutical industry gives its most favored customers, such as large insurance companies, government buyers with negotiating power, and HMOs. Because these customers typically buy in bulk, some difference between retail prices and "favored customer" prices would be expected. The study found, however, that the differential was much higher for prescription drugs than it was for other consumer items. The study compared the price differential for prescription drugs to the price differentials on a selection of other consumer items. The average price differential for the five prescription drugs was 140%, while the price differential for other items was only 22%. Compared to manufacturers of other retail items, pharmaceutical manufacturers appear to be engaging in significant price discrimination against older Americans and other individual consumers.
- **Pharmaceutical manufacturers, not drug stores, appear to be responsible for the discriminatory prices that older Americans pay for prescription drugs.** In order to determine whether drug companies or retail pharmacies were responsible for the high prescription drug prices paid by seniors in Mrs. Jones's congressional district, the study compared average wholesale prices that pharmacies pay for drugs to the prices at which the drugs are sold to consumers. This comparison revealed that the pharmacies in Mrs. Jones's district appear to have relatively small markups between the prices at which they buy prescription drugs and the prices at which they sell them. The retail prices in Mrs. Jones's district are just 2% above the published national Average Wholesale Price, which represents the manufacturers' suggested price to pharmacies. The differential between retail prices and a second indicator of pharmacy costs, the Wholesale Acquisition Cost, which represents the average price wholesalers actually pay for drugs, is only 26%. This indicates that it is drug company pricing policies that appear to account for the inflated prices charged to older Americans and other customers.

I. THE VULNERABILITY OF OLDER AMERICANS TO HIGH DRUG PRICES

This report focuses on a continuing, critical issue facing older Americans -- the cost of their prescription drugs. Numerous surveys and studies have concluded that many older Americans pay high costs for prescription drugs and are having a difficult time paying for the drugs they need. The cost of prescription drugs is particularly important for older Americans because they have more medical problems, and take more prescription drugs, than the average American. This situation is exacerbated by the fact that the Medicare program, the main source of health care coverage for the elderly, fails to cover the cost of most prescription drugs.

According to the National Institute on Aging, "as a group, older people tend to have more long-term illnesses -- such as arthritis, diabetes, high blood pressure, and heart disease -- than do younger people."¹ Other chronic diseases which disproportionately affect older Americans include depression and neurodegenerative diseases such as Alzheimer's disease, Lou Gehrig's disease, and Parkinson's disease. Older Americans spend almost three times as much of their income (21%) on health care than those under the age of 65 (8%).²

The latest survey data indicate that 86% of Medicare beneficiaries are taking prescription drugs.³ Almost 14 million senior citizens, 38% of all Medicare beneficiaries, use more than \$1,000 of prescription drugs annually.⁴ The average older American uses 18.5 prescriptions annually,⁵ significantly more than the average under-65 population.⁶ It is estimated that the

¹ National Institute on Aging (NIA), *NIA Age Page* (1997) (online at www.nih.gov/nia/health/pub/medicine.htm).

² AARP Public Policy Institute and the Lewin Group, *Out of Pocket Health Spending By Medicare Beneficiaries Age 65 and Older: 1997 Projections* (Feb. 1997).

³ Health Affairs, *Prescription Drug Coverage, Utilization, and Spending Among Medicare Beneficiaries*, 237 (Jan./Feb. 1999).

⁴ National Economic Council, Domestic Policy Council, *Disturbing Truths and Dangerous Trends: The Facts About Medicare Beneficiaries and Prescription Drug Coverage* (July 22, 1999).

⁵ *Prescription Drug Coverage, Utilization, and Spending Among Medicare Beneficiaries*, *supra* note 3, at 237.

⁶ Senate Special Committee on Aging, *Developments In Aging: 1996*, 105th Cong., 1st Sess. 121 (1997) (S. Rpt. 36).

elderly in the United States, who make up 12% of the population, use one-third of all prescription drugs.⁷

Although the elderly have the greatest need for prescription drugs, they often have the most inadequate insurance coverage for the cost of these drugs. With the exception of drugs administered during inpatient hospital stays, Medicare generally does not cover prescription drugs. According to a recent analysis by the National Economic Council, approximately 75% of Medicare beneficiaries lack dependable, private-sector prescription drug coverage.⁸

Thirty-five percent of Medicare recipients, over 13 million senior citizens, do not have any insurance coverage for prescription drugs.⁹ In rural areas, the problem is even worse, with 48% of Medicare recipients lacking any prescription drug coverage.¹⁰ In total, Medicare beneficiaries pay more than half of their drug costs out of their own pockets.¹¹

Even when seniors have prescription drug coverage, the coverage is often inadequate. The number of firms offering retirees prescription drug coverage is declining, from 40% in 1994 to 30% in 1998.¹² Medigap policies are often prohibitively expensive, while offering inadequate

⁷ Senate Special Committee On Aging, *Developments in Aging: 1993*, 103d Cong., 2d Sess. 35 (1994) (S. Rpt. 403).

⁸ *Disturbing Truths and Dangerous Trends: The Facts About Medicare Beneficiaries and Prescription Drug Coverage*, *supra* note 4.

⁹ *Prescription Drug Coverage, Utilization, and Spending Among Medicare Beneficiaries*, *supra* note 3.

¹⁰ *Disturbing Truths and Dangerous Trends: The Facts About Medicare Beneficiaries and Prescription Drug Coverage*, *supra* note 4 (supplemental materials).

¹¹ Health Care Financing Administration, *The Characteristics and Perceptions of the Medicare Population*, 107 (1996).

¹² *Disturbing Truths and Dangerous Trends: The Facts About Medicare Beneficiaries and Prescription Drug Coverage*, *supra* note 4.

coverage.¹³ Medicare managed care plans are also sharply reducing benefits and coverage.¹⁴

The high costs of prescription drugs and the lack of insurance coverage cause enormous hardships for older Americans. In 1993, 13% of older Americans surveyed reported that they were forced to choose between buying food and buying medicine.¹⁵ By another estimate, five million older Americans are forced to make this difficult choice.¹⁶

II. ARE DRUG COMPANIES EXPLOITING THE VULNERABILITY OF OLDER AMERICANS?

Rep. Stephanie Tubbs Jones of Ohio asked the minority staff of the Committee on Government Reform to investigate whether pharmaceutical manufacturers are taking advantage of older Americans through price discrimination, and, if so, whether this is part of the explanation for the high drug prices being paid by older Americans in her congressional district. This report presents the results of this investigation.

Industry analysts have recognized that price discrimination occurs in the prescription drug market. According to a recent Standard & Poor's report on the pharmaceutical industry, "[d]rugmakers have historically raised prices to private customers to compensate for the

¹³ Only three of the ten available plans offer any prescription drug coverage, and even the best available Medigap policy provides only a \$3,000 drug benefit, while still leaving beneficiaries vulnerable to a high deductible and to paying at least half of their total drug costs. Moreover, the cost of these policies increases with age, making them even less affordable for those who need them the most. Less than 10% of the Medicare population obtains prescription drug coverage from Medigap providers. *Prescription Drug Coverage, Utilization, and Spending Among Medicare Beneficiaries*, *supra* note 3.

¹⁴ While some Medicare managed care plans may offer optional prescription drug coverage, these plans are dramatically reducing coverage, with nearly 60% reporting that they will cap prescription drug benefits below \$1,000, and 28% reporting that they will cap benefits below \$500 in the year 2000. These managed care plans are also withdrawing coverage for over 400,000 seniors this year, and are expected to drop coverage for an additional 50,000 next year. Overall, only 6% of Medicare recipients obtain prescription drug coverage through managed care plans. *Disturbing Truths and Dangerous Trends: The Facts About Medicare Beneficiaries and Prescription Drug Coverage*, *supra* note 4; *Prescription Drug Coverage, Utilization, and Spending Among Medicare Beneficiaries*, *supra* note 3.

¹⁵ Families USA Foundation, *Worthless Promises: Drug Companies Keep Boosting Prices*, 6 (Mar. 1995).

¹⁶ Senate Special Committee on Aging, *A Status Report -- Accessibility and Affordability of Prescription Drugs For Older Americans*, 102d Cong., 2d Sess. 2 (1992) (S. Rpt. 100).

discounts they grant to managed care customers. This practice is known as 'cost shifting.'¹⁷ Under this practice, "drugs sold to wholesale distributors and pharmacy chains for the individual physician/patient are marked at the higher end of the scale."¹⁸

Although industry analyses acknowledge that price discrimination occurs, they have not estimated its degree or impact. This report, prepared at Mrs. Jones's request, is the first attempt to quantify the extent of price discrimination and its impact on senior citizens in the 11th Congressional District in Ohio.

The study design and methodology used to test whether drug companies are discriminating against older Americans in their pricing are described in part III. The results of the study are described in part IV. These results show that drug manufacturers appear to be engaged in substantial price discrimination against older Americans and other individuals who must pay for their own prescription drugs. The impact of the manufacturers' pricing policies on corporate profits is discussed in part V.

III. METHODOLOGY

A. Selection of Drugs for this Survey

This survey is based primarily on a selection of the five patented, nongeneric drugs with the highest annual sales to older Americans in 1997. The list was obtained from the Pennsylvania Pharmaceutical Assistance Contract for the Elderly (PACE). The PACE program is the largest outpatient prescription drug program for older Americans in the United States for which claims data is available, and is used in this study, as well as by several other analysts, as a proxy database for prescription drug usage by all older Americans. In 1997, over 250,000 persons were enrolled in the program, which provided over \$100 million of assistance in filling over 2.8 million prescriptions.¹⁹

B. Determination of Average Drug Prices for Seniors

In order to determine the prices that senior citizens are paying for prescription drugs in Mrs. Jones's congressional district, the minority staff and the staff of Mrs. Jones's congressional office conducted a survey of nine drug stores -- including both independent and chain stores -- in her district. Mrs. Jones represents the 11th Congressional District in Ohio, which includes the

¹⁷ Herman Saftlas, *Standard & Poor's, Healthcare: Pharmaceuticals*, Industry Surveys, 19-20 (Dec. 18, 1997).

¹⁸ *Id.* at 19.

¹⁹ Pharmaceutical Assistance Contract for the Elderly ("PACE"), Pennsylvania Department of Aging, *Annual Report to the Pennsylvania General Assembly January 1 - December 31, 1997* (Apr. 1998).

cities of Cleveland, Cleveland Heights, Shaker Heights, and Brooklyn. The location of the stores is shown in Appendix D.

C. Determination of Prices for Drug Companies' Most Favored Customers

Drug pricing is complicated and drug companies closely guard their pricing strategies. For example, drug companies require HMOs to sign confidentiality agreements before offering them pricing discounts. The best publicly available indicator of the prices drug companies charge their most favored customers is the prices the companies charge the federal government.

The federal government pays for prescription drugs through several different programs. One important program is the Federal Supply Schedule (FSS), which is a price catalogue containing goods available for purchase by federal agencies. Drug prices on the FSS are negotiated by the Department of Veterans Affairs (VA) and often approximate the prices that the drug companies charge their most favored non-federal customers. According to the U.S. General Accounting Office, "[u]nder GSA procurement regulations, VA contract officers are required to seek an FSS price that represents the same discount off a drug's list price that the manufacturer offers its most-favored nonfederal customer under comparable terms and conditions."²⁰ To obtain additional price discounts available to the private sector, the VA has established at least two additional negotiated-price programs: (1) a VA formulary that operates similarly to the formularies established by well-managed HMOs,²¹ and (2) a Blanket Price Agreement (BPA) program, under which the VA commits to purchasing minimum quantities of particular prescription drugs. Yet another program through which the federal government obtains prescription drugs is section 340(b) of the Public Health Service Act, which entitles four agencies (the VA, the Indian Health Service, the Department of Defense, and the Public Health Service) to purchase drugs at a maximum price of 24% below the manufacturer's average nonfederal price.

This analysis uses the lowest price paid by the federal government as a proxy for the prices paid by drug companies most favored customers.²² All prices were updated in September 1999 to reflect current pricing.

²⁰ U.S. General Accounting Office, *Drug Prices: Effects of Opening Federal Supply Schedule for Pharmaceuticals Are Uncertain* 6 (June 1997) (emphasis added).

²¹ For a detailed description of the Department of Veterans Affairs Formulary program, see the National Formulary Content Page, online at www.dppm.med.va.gov/newsite/national.htm.

²² For Norvasc, Prilosec, Procardia XL, Zoloft, Micronase, and Synthroid, the Federal Supply Schedule price was used as the indicator of best price. For Zocor the VA's formulary price was used as the indicator of best price.

D. Determination of Prices Paid by Pharmacies

The survey also looked at two other pricing indicators: (1) the Average Wholesale Price (AWP) and (2) the Wholesale Acquisition Cost (WAC). These two prices provide an indicator of the extent of markups that are attributable to the pharmacy (in contrast to those that are due to the drug manufacturer). The AWP represents the price that manufacturers suggest that wholesalers charge retail pharmacies; the WAC represents the actual average price that wholesalers pay to acquire drugs. The typical wholesaler markup on drugs for sale to pharmacies is an additional 2% - 4%.²³ Both AWP and WAC were obtained from the Medispan database and were updated in June 1999 to reflect current pricing.

E. Determination of Drug Dosages

When comparing prices, the study used the same criteria (dosage, form, and package size) used by the GAO in its 1992 report, *Prescription Drugs: Companies Typically Charge More in the United States Than In Canada*. For drugs that were not included in the GAO report, the study used the dosage, form, and package size common in the years 1994 through 1997, as indicated in the *Drug Topics Red Book*. The dosages, forms, and package sizes used in the study are shown in Appendix B.

F. Comparison of Price Differentials for Other Retail Items

In order to determine whether the differential between the most favored customer prices and retail prices for drugs commonly used by older Americans is unusually large, the study compared the prescription drug price differentials to price differentials on other consumer products. To make this comparison, a list of consumer items other than drugs available through the FSS was assembled. FSS prices were then compared with the retail prices at which the items could be bought at a large national chain.²⁴

IV. DRUG COMPANIES CHARGE OLDER AMERICANS DISCRIMINATORY PRICES

A. Discrimination in Drug Pricing

In the case of the five drugs with the highest sales to seniors, the average price differential between the price that would be paid by a senior citizen in Mrs. Jones's congressional district

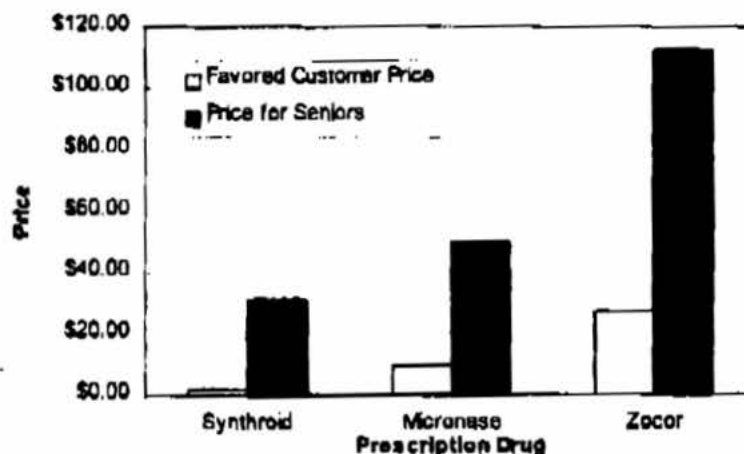
²³ Patricia M. Danzon, *Price Comparisons for Pharmaceuticals: A Review of U.S. and Cross-National Studies* (April 1999).

²⁴ The items used were paper towels, envelopes, rubber bands, toilet paper, pencils, Rolodexes, tape dispensers, waste baskets, correction fluid, post-it notes, paper clips, and scissors.

and the price that would be paid by the drug companies' most favored customers was 143% (Table 1). The study thus showed that the average price that older Americans and other individual consumers in Mrs. Jones's district pay for these drugs is more than double the price paid by the drug companies' favored customers, such as large insurance companies and HMOs.

For individual drugs, the price differential was even higher. Among the five best selling drugs, the highest price differential was 316% for Zocor, a cholesterol treatment manufactured by Merck. For other popular drugs, the study found even greater price differentials. The drug with the highest price differential was Synthroid, a commonly used hormone treatment manufactured by Knoll Pharmaceuticals. For this drug, the price differential for senior citizens in Mrs. Jones's district was more than 1,650%. An equivalent quantity of this drug would cost the most favored customers only \$1.75, but would cost the average senior citizen in Mrs. Jones's congressional district \$31.13. For Micronase, a diabetes treatment manufactured by Upjohn, the price differential was 394% (Figure 1). Every drug looked at in this study had a large price differential. Among the five highest selling drugs, three (Zocor, Prilosec, and Norvasc) had price differentials that exceeded 100%. The lowest price difference was still high -- 84%, for Zoloft.

Figure 1: Older Americans in Mrs. Jones's District Pay Inflated Prices for Prescription Drugs.

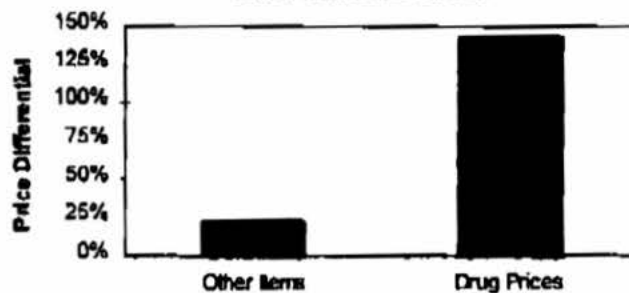


In dollar terms, Zoloft, an antidepressant, had the highest price differential. Senior citizens in Mrs. Jones's district must pay over \$100 more for 100 tablets of Zoloft than a favored customer. The difference between seniors' prices and prices for favored customers was more than \$80.00 for 60 tablets of Zocor and over \$60.00 per prescription for each of the remaining three best selling drugs (Procardia XL, Norvasc, and Prilosec).

B. Comparison with Other Consumer Goods

The study also analyzed whether the large differentials in prescription drug pricing could be attributed to a volume effect. The drug companies' most favored customers, such as large insurance companies and HMOs, typically buy large volumes of drugs. Thus, it could be expected that there would be differences between the prices charged the most favored customers and retail prices. The study found, however, that the differentials in prescription drug prices were much greater than the differentials in prices for other consumer goods. The study found that, in the case of other consumer goods, the average difference between retail prices and the prices charged most favored customers, such as large corporations and institutions, was only 22%. The average price differential in the case of prescription drugs was more than six times larger than the average price differential for other consumer goods (Figure 2). This indicates that a volume effect is unlikely to explain the large differential in prescription drug pricing.

Figure 2: Price Differentials on Drugs Commonly Used by Older Americans Are Far Higher Than Differentials for Other Consumer Goods.



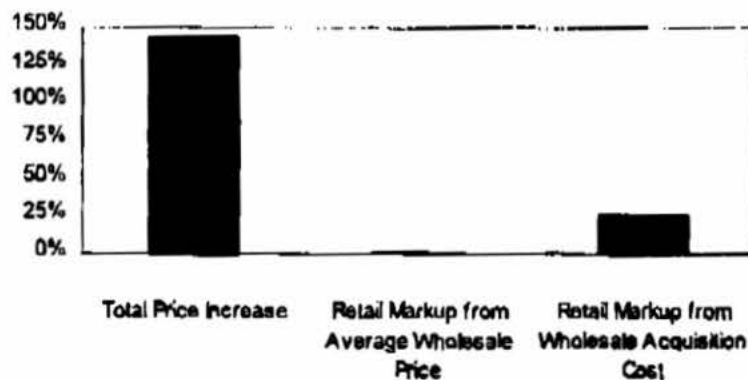
C. Drug Company Versus Pharmacy Responsibility

The study also sought to determine whether drug companies or retail pharmacies are responsible for the high prices being paid by older Americans. To do this, the study compared the average wholesale prices that pharmacies pay for drugs to the prices at which the drugs are sold to consumers. This comparison revealed that pharmacies appear to have relatively small markups between the prices at which they buy prescription drugs and the prices at which they sell them. The study found that the average retail price for the five best-selling prescription drugs was just 2% higher than the published Average Wholesale Price, and only 26% above the Wholesale Acquisition Cost (Figure 3). This finding indicates that it is drug company pricing policies, not retail markups, that account for the inflated prices charged to older Americans and other individual customers. These findings are consistent with other experts who have concluded that because of the competitive nature of the pharmacy business at the retail level, there is a relatively small profit margin for retail pharmacists.²⁵

²⁵ National Association of Chain Drug Stores, *Did You Know...* (pamphlet) (citing financial data assembled by Keller Bruner & Company, P.C., Certified Public Accountants

The study found few significant differences in retail prices between pharmacies in different parts of Mrs. Jones's district. Moreover, although there were variations in prices between chain and independent pharmacies, these differences were in general not systematic.

Figure 3: Drug Companies, Not Retail Pharmacies, Are Responsible for High Prescription Drug Costs



V. DRUG MANUFACTURER PROFITABILITY

Drug industry pricing strategies have boosted the industry's profitability to extraordinary levels. The annual profits of the top ten drug companies are over \$25 billion.²⁶ Moreover, the drug companies make unusually high profits compared to other companies. The average manufacturer of branded consumer goods, such as Proctor & Gamble or Colgate-Palmolive, has an operating profit margin of 10.5%. Drug manufacturers, however, have an operating profit margin of 28.7% -- nearly three times greater (Figure 4).²⁷

These high profits appear to be directly linked to the pricing strategies observed in this study. For instance, Merck, the country's largest pharmaceutical manufacturer, had a 24% increase in sales and a 12% increase in profits in the first quarter of 1999.²⁸ According to

1995).

²⁶ Fortune, *1999 Fortune 500 Industry List* (1999) (Online at www.pathfinder.com/fortune500/ind21.html).

²⁷ Paul J. Much, Houlihan Lokey Howard & Zukin, *Expert Analysis of Profitability* (Feb. 1998).

²⁸ AP, *Merck Sales Jump by 24 Percent* (April 23, 1999).

industry analysts, Merck's increased profits were due in large part to sales of Zocor,²⁹ which is sold in Mrs. Jones's district at a price differential of 316%. Zocor itself accounts for 13% of Merck's revenues.³⁰

Figure 4: The Pharmaceutical Industry's Profit Margins Are Larger Than Those for Other Companies.



Pharmaceutical companies have been rapidly increasing their prices. These price hikes make it even more difficult for uninsured senior citizens to afford prescription drugs. In 1998, pharmaceutical prices increased by 5.1%, more than three times higher than the overall inflation rate.³¹ The price of Synthroid, which is sold in Mrs. Jones's district at a price differential of more than 1,650%, increased 20.4% in 1998.³²

Overall, profits for the major drug manufacturers grew by over 21% in 1998, compared to 5% to 10% for other companies on the Standard & Poors Index. The drug manufacturers' profits are expected to grow by up to an additional 25% in 1999.³³ According to one analyst, "the prospects for the pharmaceutical industry are as bright as they've ever been."³⁴

²⁹ USA Today, *Drugmakers Have Healthy Outlook* (July 20, 1998).

³⁰ *Merck Sales Jump by 24 Percent*, *supra* note 28.

³¹ Express Scripts, Inc., *1998 Drug Trend Report* (June 1999).

³² *Id.*

³³ *Drugmakers Have Healthy Outlook*, *supra* note 29.

³⁴ *Id.*

Appendix A**The Five Top Selling Patented, Nongeneric Drugs for Seniors
Ranked by 1997 Total Dollar Sales**

Rank	Drug	Manufacturer	Indication
1.	Prilosec	Astra/Merck	Ulcer
2.	Norvasc	Pfizer, Inc.	High Blood Pressure
3.	Zocor	Merck	Cholesterol reduction
4.	Zoloft	Pfizer, Inc.	Depression
5.	Procardia XL	Pfizer, Inc.	Heart Problems

Source: Pharmaceutical Assistance Contract for the Elderly ("PACE"), Pennsylvania Department of Aging, *Annual Report to the Pennsylvania General Assembly: January 1 - December 31, 1997* (Apr. 1998).

Appendix B

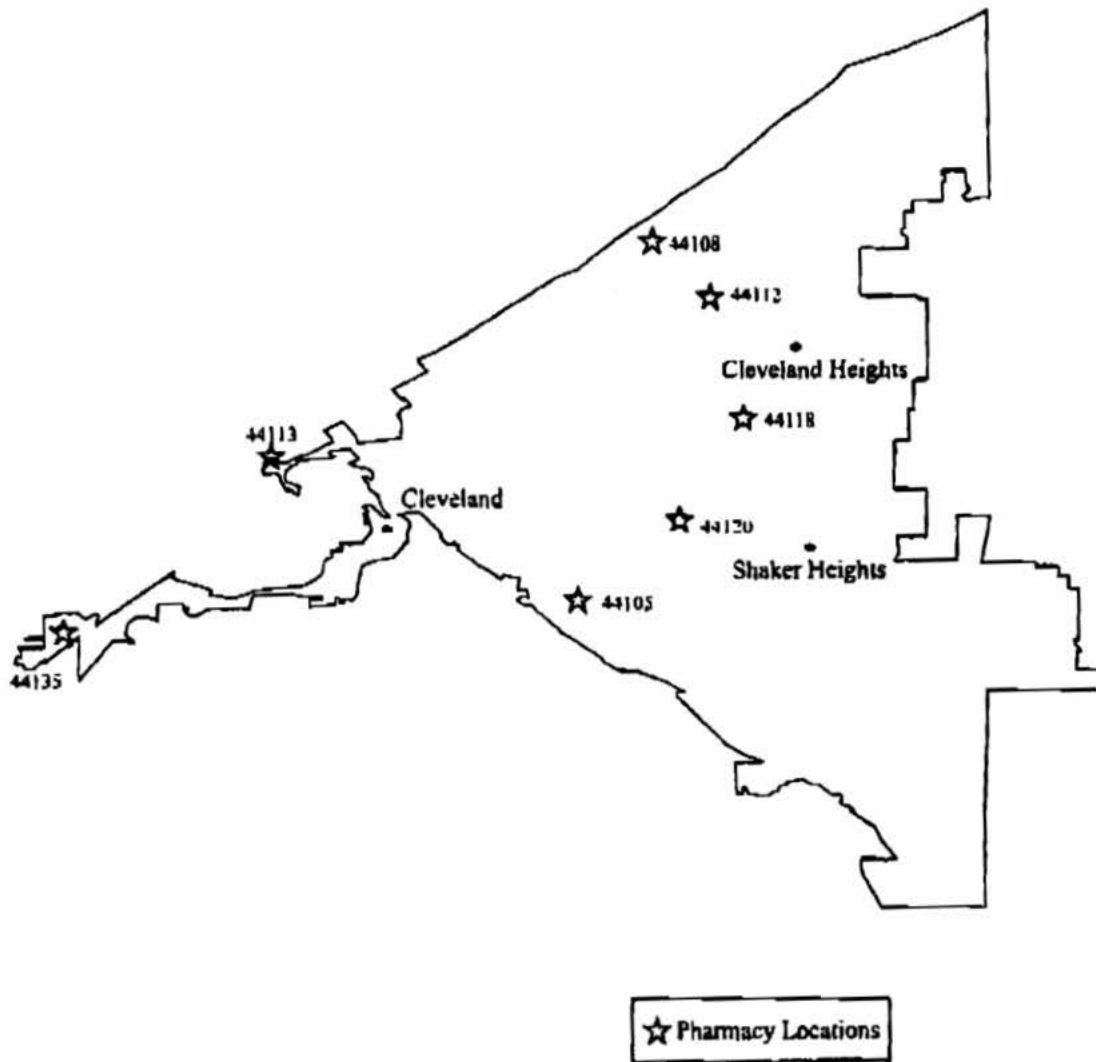
Information on Prescription Drugs Analyzed in This Study

Brand Name Drug	Dosage and Form	Indication	Prices (Dollars)				Price Differential (Average Retail Price vs. Favored Customer Price)
			Favored Customer Price	Wholesale Acquisition Cost	Average Wholesale Price	Average Retail Price	
Zocor	5 mg. 60 tablets	Cholesterol reducer	\$27.00	\$86.07	\$106.84	\$112.26	316%
Prilosec	20 mg. 30 cap.	Ulcer	\$59.10	\$100.34	\$119.57	\$125.72	113%
Norvasc	5 mg. 90 tablets	High Blood Pressure	\$50.71	\$96.00	\$119.17	\$122.37	105%
Procardia XL	30 mg. 100 tab.	Heart Problems	\$68.35	\$111.46	\$138.27	\$134.53	97%
Zoloft	50 mg. 100 tab.	Depression	\$125.73	\$182.98	\$227.13	\$231.87	84%
Average Price Differential							143%

Appendix C**Price Comparisons For Non-Prescription Drug Items**

Item	FSS Price	Retail Price	Differential
Binder Clip, small, 1 box	\$0.49	\$0.49	0%
Rubber Bands, 1 lb.	\$2.57	\$2.67	4%
Toilet Paper, 96 Rolls	\$44.74	\$47.98	7%
Rolodex, 500 Card	\$13.24	\$14.29	8%
Tape Dispenser	\$1.44	\$1.69	17%
Wastebasket, Plastic, 13 qt.	\$2.95	\$3.49	18%
Scissors	\$10.88	\$12.99	19%
Pencils, #2, 20-pack	\$1.03	\$1.26	22%
Paper Towels, 30 Rolls	\$22.94	\$29.98	31%
Post-It Notes	\$2.08	\$2.89	39%
Envelopes, 500, White, 20 lb. weight	\$6.45	\$9.49	47%
Correction Fluid, 18 ml., dozen.	\$6.66	\$9.99	50%
Average Price Differential			22%

Appendix D: Prescription Drug Pricing Survey Locations in Ohio's 11th Congressional District



Map created by Library of Congress: Geography and Map Division
November 1999