



**Prescription Drug Pricing in the 1st Congressional District in Maine:
Drug Companies Profit at the Expense of Older Americans**

Prepared for U.S. Representative Tom Allen

**Minority Staff Report
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EXECUTIVE SUMMARY

This staff report was prepared at the request of U.S. Representative Tom Allen of Maine. In Mr. Allen'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. Mr. Allen requested that the minority staff of the Committee on Government Reform and Oversight investigate this issue.

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 new and disturbing evidence of the cause of this difficulty. 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 and health maintenance organizations. The findings show that a senior citizen in Mr. Allen's district paying for his or her own prescription drugs must pay, on average, nearly twice as much for the drugs as the drug companies' favored customers. The study found that this is an unusually large price differential -- nearly four 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 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 their 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. Case studies in Mr. Allen's congressional district illustrate these hardships. 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 ten brand name 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 and HMOs, 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 Mr. Allen's congressional district in Maine. 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 retail prices and prices for favored customers for other consumer items.

B. Findings

The study finds that:

- C **Older Americans pay inflated prices for commonly used drugs.** For the ten drugs investigated in this study, the average price differential was 86%. When just the five most popular drugs are considered, the price differential increases to 96% (Table 1). This means that senior citizens and other individuals who pay for their own drugs pay almost twice as much for these drugs than do the drug companies' most favored customers.

Table 1: Average Retail Prices for the Best-Selling Drugs for Older Americans in Maine Are Almost Twice as High as the Prices That Drug Companies Charge Their Most Favored Customers.

Prescription Drug	Manufacturer	Use	Prices For Favored Customers	Retail Prices For Maine Senior Citizens	Price Differential For Maine Senior Citizens
Zocor	Merck	High Cholesterol	\$42.95	\$103.92	142%
Prilosec	Astra/Merck	Ulcers	\$56.38	\$111.89	98%
Fosamax	Merck	Osteoporosis	\$31.86	\$61.66	94%
Norvasc	Pfizer Inc.	Blood Pressure	\$58.83	\$111.71	90%
Relafen	Smithkline Beecham	Arthritis	\$62.58	\$116.39	86%
Procardia XL	Pfizer Inc.	Heart	\$67.35	\$118.85	76%
Cardizem CD	Hoechst Marion Roussel	Angina/Hypertension	\$99.36	\$174.99	76%
Zoloft	Pfizer, Inc.	Depression	\$123.88	\$213.28	72%
Vasotec	Merck	High Blood Pressure	\$56.08	\$96.49	72%
Ticlid	Hoffman-LaRoche	Stroke	\$75.28	\$117.96	57%
Average Price Differential		Top Ten Drugs			86%
		Top Five Drugs			96%

- C **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 Maine was over 1,600%. An equivalent dose of this drug would cost the favored customers only \$1.75, but would cost the average senior citizen in Maine almost \$30.00. For, Micronase, a diabetes treatment manufactured by Upjohn, an equivalent dose would cost the favored customers \$10.05, while seniors in Maine are charged \$42.50. The price differential was 323%.

Table 2: Price Differentials for Some Drugs Are More Than 1,600%.

Prescription Drug	Manufacturer	Use	Prices for Favored Customers	Retail Prices for Maine Senior Citizens	Price Differential for Maine Senior Citizens
Synthorid	Knoll Pharmaceuticals	Hormone Treatment	\$1.75	\$29.80	1603%
Micronase	Upjohn	Diabetes	\$10.05	\$42.50	323%

C 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 and HMOs. Because these customers typically buy in bulk, one would expect that there would be some difference between retail prices and “favored customer” prices. However, the study found 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 ten prescription drugs was 86%, 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.

C 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 prices being paid by seniors in Mr. Allen’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 Maine 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 retail prices in Maine are only 3% above the published national Average Wholesale Price. The differential between retail prices and a second indicator of pharmacy costs, the prices from one wholesaler, is 22%. 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 and more than three-quarters of Americans aged 65 and over are taking prescription drugs.

The average older American is presently taking 2.4 prescription drugs.³ More importantly, older Americans take significantly more drugs on average than the under-65 population.⁴ It is estimated that the elderly in the United States, who make up 12% of the population, use one third of all prescription drugs.⁵

Although the elderly have the greatest need for prescription drugs, they often have the most inadequate insurance coverage for the cost of these drugs. A 1996 AARP survey indicated

¹ National Institute on Aging (NIA), NIA Age Page (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* (February 1997).

³ AUS/ICR for the American Association of Retired Persons, National Pharmaceutical Council, and Pharmaceutical Executive Magazine, *Survey on Prescription Drug Issues and Usage Among Americans Aged 50 and Older*, p. I (May 1996).

⁴ Senate Special Committee on Aging, *Developments In Aging: 1996*, 1 S. Rep. 36, 105th Cong., 1st Sess. 121 (1997).

⁵ Senate Special Committee On Aging, *Developments in Aging: 1993*, 1 S. Rep. 403, 103d Cong., 2d Sess. 35 (1994).

that 37% of older Americans do not have insurance coverage for prescription drugs.⁶ As a result, many older Americans -- a large percentage of whom live on a limited, fixed income -- are forced to pay the full, out-of-pocket expense of prescription drugs.

The primary reason for this burden is that, with the exception of drugs administered during in-patient hospital stays, Medicare generally does not cover prescription drugs. While Medicare managed care plans may offer optional prescription drug coverage, they are available only as an option subject to the discretion and fiscal priorities of the health plans. Moreover, these Medicare managed plans currently serve only a small portion of the Medicare population.

Although Medicare beneficiaries can purchase supplemental "Medigap" insurance privately, these policies are often prohibitively expensive or inadequate. For example, one of the standardized Medigap policies available 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.⁷

Medicare beneficiaries without public or private prescription drug coverage are the group at most risk of high out-of-pocket prescription drug costs. According to the Senate Special Committee on Aging, this group includes those "who are not poor enough to receive Medicaid, do not have employer-based retiree prescription drug coverage, and cannot afford any other private prescription drug insurance plans."⁸

The high costs of prescription drugs, and the lack of insurance coverage, directly affect the health and welfare of older Americans. In 1993, 13% of older Americans surveyed reported that they were forced to choose between buying food and buying medicine.⁹ By another estimate, five million older Americans are forced to make this difficult choice.¹⁰

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

⁶ AARP Public Policy Institute and the Lewin Group, *supra* note 1.

⁷ Families USA Foundation, *Worthless Promises: Drug Companies Keep Boosting Prices* 6 (March 1995).

⁸ Senate Report 36, *supra* note 4, at 122.

⁹ Families USA Foundation, *supra* note 7, at 6.

¹⁰ Senate Special Committee on Aging, *A Status Report -- Accessibility and Affordability of Prescription Drugs For Older Americans*, S. Rep. 100, 102d Cong., 2d Sess. 2 (1992).

Rep. Thomas H. Allen of Maine asked the minority staff of the Committee on Government Reform and Oversight 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 his 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 discounts they grant to managed care customers. This practice is known as 'cost shifting.'"¹¹ 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."¹²

Although industry analyses acknowledge that price discrimination occurs, they have not estimated its degree or impact. This report, prepared at Mr. Allen's request, attempts to quantify the extent of price discrimination and its impact on senior citizens in east Maine.

The study design and methodology used to test whether drug companies are discriminating against older Americans in their pricing is 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 consequences of the manufacturers' pricing policies are discussed in part V.

III. METHODOLOGY

A. Selection of Drugs for This Survey

This survey is based primarily on a selection of the ten patented, non-generic 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

¹¹ Herman Saftlas, Standard & Poor's, *Healthcare: Pharmaceuticals*, Industry Surveys 19-20 (December 18, 1997).

¹² *Id.* at 19.

persons were enrolled in the program, which provided over \$100 million of assistance in filling over 2.8 million prescriptions.¹³

B. Determination of Average Retail Drug Prices for Seniors In Maine

In order to determine the prices that the elderly are paying for prescription drugs in Maine, the minority staff and the staff of Mr. Allen's congressional office conducted a survey of nine drug stores -- six independent pharmacies and three chain stores -- in Mr. Allen's congressional district. The location of the stores is shown in Appendix D. Together, chain and independent drug stores account for approximately 80% of all retail drug sales.

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

Drug pricing is complicated and drug companies closely guard their pricing strategies. The best publicly available indicator of the prices companies charge their most favored customers, such as large insurance companies and HMOs, is the Federal Supply Schedule (FSS).

The FSS is a price catalog containing goods available for purchase by federal agencies. Drug prices on the FSS are negotiated by the Department of Veterans Affairs. The prices on the FSS closely approximate the prices that the drug companies charge their most favored nonfederal 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."¹⁴ Thus, in this study FSS prices are used to represent the prices drug companies charge their most favored customers.

This update includes FSS prices as of October 8, 1998. These prices represent changes in the FSS prices from the initial staff report. This update also corrects a technical error in the initial report.

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 prices charged pharmacies by a large drug wholesaler. 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 is an average of prices charged by the

¹³ Pharmaceutical Assistance Contract for the Elderly ("PACE"), Pennsylvania Department of Aging, *Annual Report to the Pennsylvania General Assembly* (January 1 - December 31, 1997).

¹⁴ U.S. General Accounting Office, *Drug Prices: Effects of Opening Federal Supply Schedule for Pharmaceuticals Are Uncertain* 6 (June 1997) (emphasis added).

drug wholesalers to retail pharmacies. The AWP prices were obtained from the *1997 Drug Topics Red Book* (the “*Red Book*”).¹⁵ As another measure of wholesale prices, the study used the wholesale prices charged pharmacies by McKesson, the world’s largest wholesaler.

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 1994 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 *Red Book*.

F. Comparison of Price Differentials for Other Retail Items

In order to determine whether the differential between FSS 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 for 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.¹⁶

IV. DRUG COMPANIES CHARGE OLDER AMERICANS DISCRIMINATORY PRICES

A. Discrimination In Drug Pricing

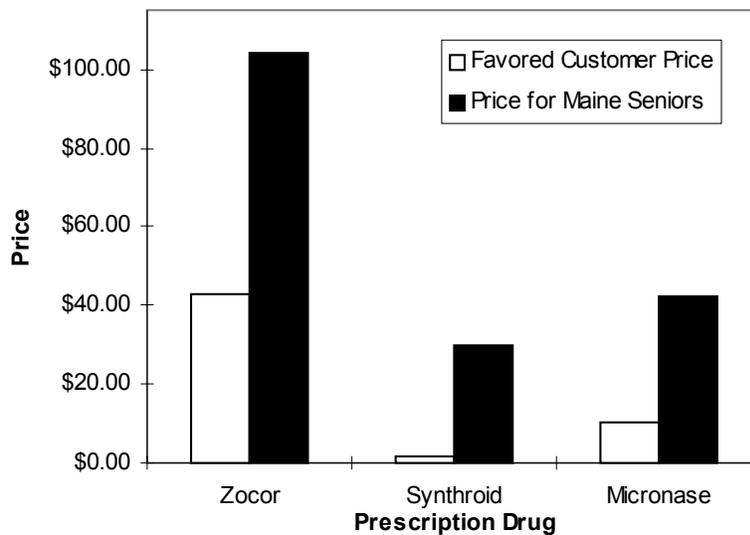
For the ten drugs investigated in this study, the average price differential between the price that would be paid by a senior citizen in Mr. Allen’s congressional district and the price that would be paid by the drug companies’ most favored customers was 86% (Table 1). The five most popular drugs for seniors are Prilosec, Norvasc, Zocor, Zoloft, and Procardia XL. The average price differential for these top five drugs is even higher: 96%. The study thus showed that the average price that older Americans and other individual consumers in Mr. Allen’s district pay for these drugs is almost double the price paid by the drug companies’ favored customers, such as large insurance companies and HMOs.

¹⁵ Medical Economics Company, Inc. (1997).

¹⁶ 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.

For individual drugs, the price differential was even higher. Among the ten best selling drugs, the highest price differential was 142% 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 Maine was over 1,600%. An equivalent dose of this drug would cost the most favored customers only \$1.75, but would cost the average senior citizen in Maine \$29.80. For Micronase, a diabetes treatment manufactured by Upjohn, the price differential was 323% (Figure 1).

Figure 1: Older Americans in Maine Pay Inflated Prices for Prescription Drugs.



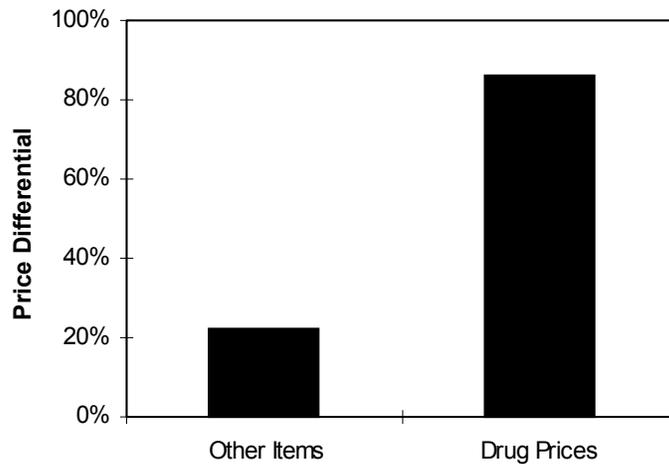
Every drug looked at in this study had a large price differential. Among the ten best selling drugs, four (Zocor, Prilosec, Fosamax, and Norvasc) had price differentials that equaled or exceeded 90%, and Zocor’s price differential exceeded 140%.

B. Comparison With Other Consumer Goods

The study also attempted to determine 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, one would expect that there would be some difference 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 differentials in the case of prescription drugs were thus almost four times larger than the average price differentials for other consumer goods (Figure 2). This indicates that a volume effect is unlikely to explain the large differentials 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

Finally, the study sought to determine whether drug companies or retail pharmacies were 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 prices were only 3% higher than the published Average Wholesale Price, and only 22% above the prices available directly from one large wholesaler (Figure 3). This finding indicates that it is not retail markups, but drug company pricing policies, that account for the inflated prices charged to older Americans and other 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.¹⁷

Figure 3: Drug Companies, Not Retail Pharmacists, Are Responsible for High Drug Costs Paid by Older Americans.



Moreover, the study found no significant differences in retail prices between pharmacies in different parts of Mr. Allen's district. Further, although there were variations in prices between chain and independent pharmacies, these differences were small and not systematic.¹⁸

¹⁷ National Association of Chain Drug Stores, *Did You Know . . .* (pamphlet) [citing financial data assembled by Keller Bruner & Company, P.C., Certified Public Accountants (1995)].

¹⁸ In 1993, independent pharmacies sued 19 drug manufacturers, alleging that the differential between the prices charged most favored customers and the prices charged pharmacies violated antitrust laws. In 1996, 11 of these drug manufacturers agreed to settle with the pharmacies. Under this agreement, these pharmaceutical companies promised to offer pharmacies the same price discounts as favored customers like large HMOs if the pharmacies could show the same ability to move market share as the favored customers. On July 13, 1998, four additional drug manufacturers agreed to a settlement under similar terms.

Unfortunately, the results of this study cast doubt on whether these agreements are likely to end the price discrimination practices of the large pharmaceutical companies. Eight of the ten most popular prescription drugs in this survey -- Zocor, Norvasc, Prilosec, Procardia XL, Relafen, Vasotec, Fosamax, and Zolofit -- are covered by the agreement reached in 1996, and there is still large price discrimination for all of these drugs. Synthroid is also covered under the agreement, and this drug has a price differential of over 1,600%.

The reason for the continued high price differentials may be that, unlike hospitals or HMOs, pharmacies cannot control decisions made by doctors about what drugs to prescribe, and thus are unable to demonstrate to the drug manufacturers that they can influence market share.

V. THE CONSEQUENCES OF DRUG COMPANIES' DISCRIMINATORY PRICING

There are two conflicting consequences of the current drug industry pricing practices. Although these pricing practices have allowed the drug industry to grow and amass large profits, they have also imposed severe financial hardship on older Americans and others who buy their own drugs.

A. Drug Company Profits

Drug industry pricing strategies have boosted the industry's profitability to extraordinary levels. The annual profits of the top 10 drug companies is nearly \$20 billion.¹⁹ 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).²⁰

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 an increase in profits of 15% to 18% in the second quarter of 1998. According to industry analysts, Merck's increased profits were due in large part to sales of Zocor and Fosamax.²¹ Both of these drugs are sold at large price differentials to seniors and other individual consumers in Mr. Allen's district. Zocor, which is sold in Mr. Allen's district at a price differential of 142%, itself accounts for 6% of Merck's revenues.²²

Overall, profits for the major drug manufacturers are expected to grow by about 20% in 1998, compared to 5% to 10% for other companies on the Standard & Poors Index. The drug

The doubts raised by this study are consistent with the observations of other industry analysts, who note that "there is already intense skepticism among retail buying groups for independent drugstores about whether the smaller independents will have the ability to qualify for the potential windfall and pass the savings on to customers." Wall Street Journal, *Drug Makers Agree To Offer Discounts For Pharmacies*, July 15, 1998, p. B4, column 3.

¹⁹ See 1998 Fortune 500 Industry List (www.pathfinder.com/fortune500/indlist.html).

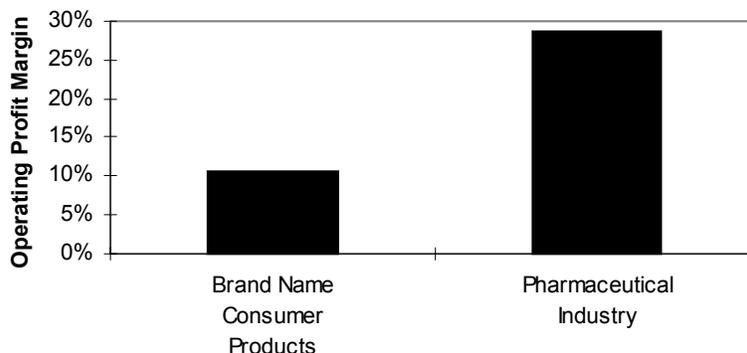
²⁰ Paul J. Much, Houlihan Lokey Howard & Zukin, *Expert Analysis of Profitability* (February 1988).

²¹ USA Today, *Drugmakers Have Healthy Outlook* (July 20, 1998).

²² IMS America, *Top 200 Drugs of 1997* (1998).

manufacturers' profits are expected to grow by up to an additional 25% in 1999.²³ According to one analyst, "the prospects for the pharmaceutical industry are as bright as they've even been."²⁴

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



B. What High Drug Prices Mean for Older Americans In Maine

While drug companies are thriving under their current pricing strategies, older Americans are not. Surveys indicate that high prescription drug prices impose financial hardships on millions of older Americans. To assess the extent of these hardships, the minority staff and the staff of Mr. Allen's office interviewed senior citizens in Mr. Allen's district. These case studies illustrated the financial hardship shared by seniors.

Geneva and Percy Kief. Geneva Kief and her husband, Percy, live in a complex for the elderly in Old Orchard Beach, Maine. Mrs. Kief is 77 years old and has lived in Maine for the past 40 years. Mr. Kief is 76 years old and has lived in Maine all of his life. Their prescription drug expenses are so high that Mr. Kief has been forced into the Medicaid program and Mrs. Kief often cannot afford to take the medications her doctor has prescribed.

The Kief's only income is from Social Security. Their problems escalated in September 1997, a month after Mr. Kief underwent surgery for a broken hip. Their monthly bill for

²³ USA Today, *supra* note 22.

²⁴ *Id.* at D1.

prescription drugs rose to \$600, half of their combined monthly income. They could no longer afford to pay for Mr. Kief's prescription drugs, so he was forced to enroll in Medicaid.

Mrs. Kief has not enrolled in Medicaid. Mrs. Kief's monthly bill for prescription drugs is \$230, more than half of her monthly Social Security check of \$411. She suffers from high blood pressure, asthma, two broken disks in her back, and edema. Her doctor has prescribed eight prescription drugs for these ailments, but she cannot afford to take all of her medications. Two of her medications, Ventolin and Slobid, make her hands and body tremble. Mrs. Kief said, "It's very embarrassing when you have to write or even get out and do things and you're shaking all over." To prevent this, her doctor has prescribed Tranxene. But she cannot afford the full dosage. Mrs. Kief said, "Most of the time, I only take part of my medicine. Sometimes I don't take them at all because I just can't afford it."

Mrs. Kief became so worried about her husband's health and how she could afford the prescribed drugs that her doctor told her that she should take two antidepressants, Welbutin and Noratriptyline. Ironically, she rarely takes these drugs because she simply cannot afford to pay for the prescriptions.

Lillian Rioux. Lillian Rioux is 80 years old and has lived in Portland, Maine, all of her life. Her husband, Raymond, died in 1985. She suffers from a thyroid condition, high blood pressure, and other medical problems. Mrs. Rioux's only income is Social Security, from which she receives a monthly check of \$769. Her monthly rent is \$400, leaving her only \$369 to cover her food, utilities, insurance, and medical expenses.

If Mrs. Rioux purchased all of the eight different medications that her doctor has prescribed, it would cost her \$120 a month, but Mrs. Rioux can only afford to spend \$50 a month on prescription drugs. Mrs. Rioux has learned to make ends meet by taking only portions of her medicine or not taking them at all. Even so, she has had to skimp on other necessities. For example, she said that to feed herself she lives primarily off of a big pot of soup that she makes every week, along with fresh vegetables provided by her friends and neighbors.

One of the drugs that Mrs. Rioux is sometimes unable to afford is Synthroid, a hormone treatment for her thyroid. As described above, this drug is sold by Knoll Pharmaceuticals for only \$1.75 to the company's favored corporate customers. Mrs. Rioux, however, has to pay \$27.44 for the drug at her local pharmacy -- over 15 times the price charged the best customers. Mrs. Rioux says that when she fails to take Synthroid, she gets very tired.

Annette Ouellette. The staff also discussed the plight of senior citizens with Annette Ouellette, a counselor at the Ross Senior Center in Biddeford, Maine. Mrs. Ouellette confirmed that the experiences of the Kiefs and Mrs. Rioux are not unusual. Moreover, she said that in one case that she handled, the high cost of prescription drugs contributed to premature death.

According to Mrs. Ouellette, one of the seniors she counseled had a monthly drug bill of \$700. After his wife died, he could no longer afford to pay both for his prescriptions and for

food and other necessities. He was forced to stop taking his medications and died shortly thereafter. Mrs. Ouellette said, "There was nothing I could do but cry with him. It was very emotional for me."

Appendix A

Information on Prescription Drugs Analyzed In This Study

Brand Name Drug	Dosage and Form	Indication	Prices (Dollars)						Price Differential
			FSS	Major Wholesaler	AWP	Chain	Independent	Average Retail	
Zocor	5 mg, 60 tablets	Cholesterol reducer	42.95	85.47	106.84	110.42	97.42	103.92	142%
Prilosec	20 mg, 30 cap.	Ulcer	56.38	99.20	108.90	121.22	102.57	111.89	98%
Fosamax	10 mg, 30 tablets	Osteoporosis	31.86	50.91	51.88	59.12	64.19	61.66	94%
Norvasc	5 mg, 90 tablets	Blood Pressure	58.83	97.92	125.66	117.88	105.53	111.71	90%
Relafen	500 mg, 100 tab.	Arthritis	62.58	88.88	111.10	121.48	111.30	116.39	86%
Procardia XL	30 mg, 100 tab.	Heart	67.35	105.05	131.31	123.02	114.67	118.85	76%
Cardizem CD	240 mg, 90 tablets	Angina	99.36	154.10	165.42	181.78	168.20	174.99	76%
Zoloft	50 mg, 100 tab.	Depression	123.88	172.44	215.55	218.68	207.88	213.28	72%
Vasotec	10 mg, 100 tab.	Blood Pressure	56.08	85.56	102.94	96.02	96.95	96.49	72%
Ticlid	250 mg, 60 tablets	Stroke	75.28	99.44	108.90	119.42	116.50	117.96	57%
Average Price Differential - Top Ten Drugs									86%
Average Price Differential - Top Five Drugs									96%

Appendix B
The Ten Top Selling Patented, Nongeneric Drugs for Seniors
Ranked by Total Dollar Sales

Rank	Drug	Manufacturer	Indication
1.	Prilosec	Astra/Meck	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
6.	Vasotec	Merck	High Blood Pressure
7.	Cardizem CD	Hoechst Marion Roussel	Angina
8.	Ticlid	Hoffman-LaRoche	Stroke
9.	Fosamax	Astra/Merck	Osteoporosis
10.	Relafen	Smithkline Beecham	Arthritis

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

Appendix C

Price Comparisons For Non-Prescription Drug Items

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

