

States becoming labs for health spending reform

By Rep. Tom Allen (D-Maine)

For the last decade, prescription drug costs have been among state governments' fastest growing budget items. With no federal relief in sight, states have become incubators for change, exploring innovative ways to obtain greater value for their healthcare dollars. These ideas include (1) accessing Canada's cheaper drug market, (2) reducing drug prices through negotiation or law and (3) expanding knowledge about the comparative effectiveness of drugs. These approaches are bearing fruit, but they need some federal assistance to flourish.

Global market access

A growing number of states and localities, Republican- and Democrat-controlled alike, are seeking waivers from the Department of Health and Human Services (HHS) to purchase drugs in Canada, where prices are often forty percent lower on average than in the United States. The Bush administration opposes reimportation by anyone other than manufacturers, so permission is unlikely to be granted. Some state and local governments and millions of individual American consumers can't wait any longer and have begun reimportation in defiance of federal law.

Faced with this escalating

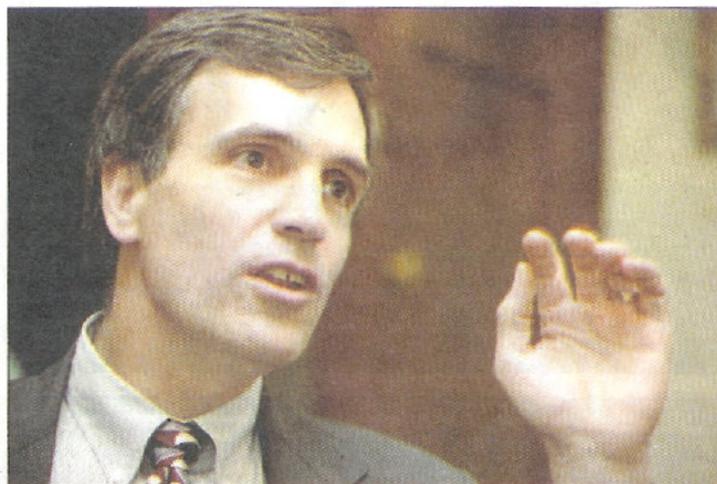
mutiny, the House passed legislation to legalize drug reimportation (a misnomer, since many "American-made" drugs are manufactured offshore). Drugs are the only consumer products subject to such a blanket reimportation ban. Opening access to the global prescription drug market would help cash-strapped state and local governments. Rather than help American consumers buy more of their products overseas, however, drug manufacturers like Pfizer have acted punitively to restrict sales to Canadian mail-order pharmacies.

If the administration continues to block free trade in pharmaceuticals, then states should have access to the same lower-priced drugs here.

I introduced H.R. 3662, the State and Local Access to Fair Prescription Drug Prices Act, bipartisan legislation that requires drug manufacturers to sell drugs to government group health programs, retiree health programs or pharmacy assistance programs at the average price drug manufacturers charge for the same drugs in Canada, France, Germany, Italy, Japan and the U.K., without reimporting them, thus avoiding the "safety" concerns lodged by drug makers and the administration.

Reducing prices at home

Maine was the first to craft a solution for the nearly one-third of



FILE PHOTO

Rep. Tom Allen (D-Maine): No federal aid in sight for states.

our residents with no prescription coverage. Like other uninsured Americans, they paid the highest prices in the world for outpatient prescription drugs. Through Maine Rx Plus, low- and moderate-income residents buy prescription drugs at the same prices negotiated for Medicaid recipients. Enacted in 2000, the program was on hold until last May, when the U.S. Supreme Court rejected pharmaceutical industry challenges. Many of the 21 states that supported the Maine law in the Supreme Court have indicated they may follow Maine's lead.

This state-based price reduction movement stands in marked contrast to the pharmaceutical industry stranglehold over federal policy. The Medicare Prescription Drug and Modernization Act actually prohibits the secretary of health and human services from negotiating lower drug prices, leaving it solely to private insurers to try to obtain discounts. Congress should take a lesson from the states and repeal the ban on negotiating authority.

Comparing effectiveness

Establishing an evidence-based process that allows informed comparison shopping is another promising tool. Should a doctor treating a patient for arthritic pain, for example, prescribe Celebrex or Vioxx, new, patent-protected drugs, costing about \$90 a month, or advise the patient use Ibuprofen, at about \$7 a month? In fact, patients, physicians, health agencies and insurers usually make such choices without objective information about the comparative effectiveness and safety of competing drugs. Drug company advertisements and data are incomplete and skewed. Likewise, Food and Drug Administration studies attest to a prescription drug's effectiveness and safety compared to a placebo, but rarely to drugs in the same therapeutic class.

Several years ago, Oregon instituted a peer-review research program to evaluate a drug's relative clinical effectiveness. Embraced by several other state and local jurisdictions, the program is already proving its val-

ue. To be listed as a "preferred drug" for the state's Medicaid plan, a drug must be found to be as effective as any other drug in the class, but more cost-effective. Although it specifically does not prevent doctors from prescribing unlisted drugs, the plan achieves significant cost-savings as better-informed physicians and patients shift to equally effective but less expensive alternatives.

To build upon this program, I introduced H.R. 2356, the Prescription Drug Comparative Effectiveness Act, bipartisan legislation requiring the National Institutes of Health and the Agency for Healthcare Research and Quality (AHRQ) to conduct research and studies on the comparative effectiveness and cost-effectiveness of the prescription drugs that account for high expenditures or high use in federally funded health programs. This independent source of trustworthy, evidence-based information would be easily accessible (through Internet sites and publications) to private physicians, clinicians, patients, policymakers and the general public.

The new Medicare law signed by the president authorized \$50 million for AHRQ to expand research in this area. However, the president's FY 2005 budget omitted this funding. I hope the administration agrees on the need for comparative effectiveness and will work with Congress to include funding in the appropriations process.

Barred from deficit spending, states have been forced to find ways to reduce prescription drug spending without denying people the medicines they need. The least Congress can do is help them along.

Allen is a member of the Energy and Commerce Committee.