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Pfizer to Offer Drug Discount to Low-Income Elderly

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WASHINGTON, Jan. 15 — Pfizer ([news/quote](#)), the world's largest drug company, said today that it would offer its drugs to low-income elderly people for a flat fee of \$15 a month for each prescription, a fraction of the average retail price of \$65.

The announcement comes as the pharmaceutical industry faces a chorus of complaints and criticism from patients who say that prescription drugs, though valuable, are too costly and often unaffordable.

Drug prices and proposals for Medicare drug benefits are sure to be an issue in many Congressional elections this year, as they were in 2000. President Bush and lawmakers of both parties say they want to add drug benefits to Medicare. But proposals for such coverage, which could easily cost more than \$250 billion over 10 years, have stalled in Congress with the evaporation of the federal budget surplus.

Pfizer said it was not trying to undercut Congressional efforts to establish drug benefits under Medicare, the federal health insurance program for 40 million people who are elderly or disabled.

Henry A. McKinnell, the chairman of Pfizer, said the company's program was intended to "bridge the gap in drug coverage until broader Medicare reform" is adopted. Since Sept. 11, Mr. McKinnell said, federal officials have focused on national security and the war on terrorism, and as a result, "the momentum behind modernizing Medicare has slowed."

Medicare generally does not cover the cost of prescription drugs outside hospitals. Many Medicare recipients receive coverage through former employers, group health plans or private insurance policies that supplement Medicare. But the government says that at least 27 percent of Medicare patients, about 11 million people, have no prescription drug coverage.

Pfizer estimated that seven million people could qualify for its program, which will be available to individuals with gross incomes under \$18,000 a year and couples with incomes below \$24,000. Medicare beneficiaries will have to submit copies of the first page of their tax returns or other proof of income with their applications.

Analysts are divided on what the program is likely to cost Pfizer. Richard T. Evans of Sanford C. Bernstein predicted that it could eventually reduce Pfizer's revenue in the United States by roughly 2.5 percent. But others pointed out that the company would benefit when some patients switch to Pfizer medications. Pfizer shares fell 11 cents today to close at \$40.41.

Several consumer groups, including AARP and the Alzheimer's Association, supported



the Pfizer program, but said it was no substitute for Congressional action to add drug benefits to Medicare.

John C. Rother, policy director of AARP, said: "The primary motivation for Pfizer's program is political. There is also a certain marketing advantage in getting people to switch to Pfizer drugs from other manufacturers' drugs. Pfizer is not making money on this but is creating good will with Congress, physicians and Medicare beneficiaries."

People can get applications and information about the program, known as the Pfizer Share Card program, by calling a toll-free telephone number, (800) 717-6005. Patients cannot qualify if they have other drug coverage, through private insurance, Medicaid or state programs.

Representative Marion Berry, an Arkansas Democrat and a pharmacist who has criticized drug companies, said: "I applaud Pfizer's move to help the poorest Medicare recipients. It's a wonderful idea. I would encourage other drug companies to do the same thing."

But Mr. Berry said, "I worry about the other 80 percent of Medicare recipients."

Drug companies seem to be competing with one another in efforts to woo the elderly. GlaxoSmithKline ([news/quote](#)), which is based in Britain, announced a drug discount program for low-income elderly people in October, and the company said today that it had enrolled 20,000 patients. Novartis A.G. ([news/quote](#)) of Switzerland, which announced a similar program in November, said it had received about 2,500 applications since Jan. 2.

The Pfizer program has somewhat stricter eligibility criteria, but it offers deeper discounts. Glaxo and Novartis promised discounts of 25 percent or more.

Under its program, Pfizer said, a low-income Medicare beneficiary can obtain a 30-day supply of any of its medicines for \$15. This is "approximately 75 percent less than the retail price of an average Pfizer prescription," the company said.

Pfizer said it sold 9 of the 50 drugs most often prescribed for Medicare patients. These include Lipitor, for high cholesterol; Norvasc, for high blood pressure; Zoloft, for depression; Glucotrol, for diabetes; and Viagra, for male impotence.

Pfizer is not including Celebrex, a popular arthritis drug, in the program, because that drug is actually made by Pharmacia ([news/quote](#)) and marketed by Pfizer. But the program will cover two drugs that Pfizer markets jointly with foreign drug companies: Zyrtec, an antihistamine for people with allergies; and Aricept, for people with mild to moderate Alzheimer's disease.

Stephen R. McConnell, vice president of the Alzheimer's Association, said the Pfizer program could be "a significant help" because people now pay \$120 to \$130 a month for Aricept.

But Ronald F. Pollack, executive director of Families USA, a consumer advocacy group, said the program was "a weak public relations substitute for providing true relief" through Medicare. Mr. Pollack predicted that "very few people, fewer than a million, will participate" because they will not know about the benefit, will not apply, will not qualify or do not use Pfizer drugs.

Pfizer said its initial goal was to enroll one million people this year. It will encourage people to sign up by providing information in television commercials and at hospitals, clinics, doctors' offices, pharmacies, centers for the elderly and churches.

Pfizer will issue cards and offer counseling and health information to people in its program. The CVS Corporation ([news/quote](#)), which operates 4,100 drugstores in 33 states, and Wal-Mart Stores ([news/quote](#)), the nation's largest retailer, said they would honor the cards.

Peter Brandt, a senior vice president at Pfizer, said the company would try to sign up other drugstores, including independent pharmacies.

Mr. McKinnell said Pfizer would incur costs in administering and promoting its program. In addition, he said, the company will lose some revenue now derived from cash-paying customers. But he said Pfizer would probably attract some customers who now buy competing products, and the company expected to enroll some people whose illnesses now go untreated.

Pfizer said the new program should not affect the company's earnings estimates because the cost had already been factored into those projections. In contrast to gloomy forecasts by many other drug makers, Pfizer said in December that it expected earnings to increase 20 percent or more this year and at least 15 percent a year through 2004.

Last July, President Bush announced a plan to offer drug discount cards to the elderly as an interim step while Congress considered changes in Medicare.

The General Accounting Office, an investigative arm of Congress, said recently that such cards had not significantly cut costs for elderly consumers buying brand-name medicines in metropolitan areas, where savings averaged less than 10 percent of retail prices.

Edward G. Sagebiel, a spokesman for Eli Lilly & Company ([news/quote](#)), said today that Pfizer's plan "appears to be a great program for patients." Gregory E. Reaves, a spokesman for Merck & Company ([news/quote](#)), said, "We generally support programs like this to increase access to medicines."

Lilly, Merck and other companies said they had programs to provide drugs at no charge to some doctors who requested them for patients who were poor or uninsured. But the demand often exceeds the supply.