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Rising Drug Costs a Powerful Issue for National and State Politicians

By ROBIN TONER

WASHINGTON, March 31 — The soaring cost of prescription drugs has emerged as a potent domestic political issue, not only nationally, but also at the state level.

Bills to deal with the cost of drugs are under consideration in 37 state legislatures. On Capitol Hill, legislative leaders in both parties are vying to portray themselves as the better protectors of older people and other consumers against rising pharmaceutical prices, with spending on outpatient prescription drugs up 17.1 percent last year.

In an election year in which no domestic issue has yet become the centerpiece of voter concern, some strategists say the issue, particularly its impact on older people, will loom large in this fall's campaign — and maybe even longer.

"I believe the pharmaceutical industry will be a big political issue for the whole decade," said Robert J. Blendon, an expert at Harvard on public opinion and health. "There's a lot of new discoveries out there that are coming along, and many of them are dramatically more expensive than the current drugs."

Senator Byron L. Dorgan, Democrat of North Dakota, says he will hold hearings on the industry's pricing policies this year, and plans a new push to allow imports of cheaper prescription drugs from Canada.

House Republicans are looking at ways to restrain the cost of prescription medicines, like encouraging the use of lower-price generics, as they begin yet another effort to add a drug benefit to Medicare, an effort long stymied by its price.

Elsewhere on Capitol Hill, a new coalition of employers, governors and organized labor, Business for Affordable Medicine, is pushing for an overhaul of the law governing pharmaceutical competition and generic drugs, arguing that the current law makes it too easy for the industry to stifle competition.

As for the states, "There's no question that state legislators are interested — more interested than ever, at least in numerical terms — in trying to lower the cost of prescription drugs," said Richard Cauchi, an analyst at the National Conference of State Legislatures.

In 37 states this year, legislators are considering bills that seek to reduce drug costs for their constituents through buying clubs, bulk purchasing by the state and an array of other measures.



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At the same time, governors and their Medicaid directors are scrambling to find ways to hold down drug costs in health programs for low-income and disabled people.

Gov. Howard Dean of Vermont, a Democrat who has helped organize other governors to push for Congressional action, said of the pharmaceutical industry, "I think they're in serious trouble from a P.R. point of view and in the Congress."

Mr. Dean, who is considering a run for the presidency, added, "I don't hate the pharmaceutical industry, but I frankly think there ought to be a Congressional investigation into their pricing practices."

Is the drug industry facing a political backlash, which the managed care industry experienced for much of the 90's?

Gene Kimmelman, director of the Washington office of Consumers Union, argues that the industry's own direct advertising to consumers may be feeding a backlash.

"They're putting it in front of us day after day, that we need these drugs," Mr. Kimmelman said. "And even with the best health care coverage, consumers are becoming aware of price increases and an increase in the amount of money they're paying out of pocket for drugs."

The pharmaceutical industry, renowned for its ability to protect its interests on Capitol Hill, is preparing to ride out any political storm.

Alan Holmer, president and chief executive officer of Pharmaceutical Research and Manufacturers of America, dismisses the idea of a backlash. But in his remarks to the group's annual meeting last week, he acknowledged that the industry faces a skeptical public, despite years of image advertising.

"Our polling shows that Americans applaud our research and stand in awe of our high-tech capabilities," Mr. Holmer said. "But they think we're on the wrong side of too many issues. Many of them think the answer is price controls."

To make sure the industry's case is heard, Mr. Holmer noted that the group has expanded its "federal lobbying team" to 17, up from 3 five years ago. It also has an elaborate "state advocacy program," to make its case in statehouses, and has just begun another national advertising campaign on the benefits of its research. "I owe them my life," a breast cancer survivor declares in one new commercial.

Mr. Dorgan, who is chairman of the Commerce subcommittee on consumer affairs, said somewhat ruefully: "The pharmaceutical industry is big and strong. Whenever I raise these issues, they send two well-dressed people to every news outlet in North Dakota, and they'll have charts and graphs and say what this is all about is the cost of finding new cures."

Substantial polling, in fact, indicates Americans are very interested in price controls — unless it affects the industry's ability to conduct research. John Rother, policy director for AARP, describes the American public as "deeply ambivalent" about pharmaceuticals.

"On the one hand, everybody's got their fingers crossed that the next big cure for cancer is going to be produced," he said. "But in terms of their business practices and

pricing practices, I think they're seen as the big bullies who are not looking after the public interest."

Until now, this debate has revolved around older people and the need to create a prescription drug benefit in Medicare; working Americans with health insurance generally have such coverage and many have been insulated from the soaring costs. While many older people obtain drug coverage through H.M.O.'s, their former employers' plans or other supplemental plans, such coverage is often expensive and limited. Roughly a third of older people have no coverage at all for outpatient drugs. Elected officials in both parties have promised, repeatedly, to create a benefit, and will try again this year.

But the ever-escalating cost of drugs, in an era of tightened budgets, is a major hurdle.

Some elected officials say the time has come to look at other means of providing relief. For example, Senator Charles E. Schumer, Democrat of New York, and Senator John McCain, Republican of Arizona, have sponsored a bill to close what they assert are major loopholes in the law that allow pharmaceutical companies to keep lower-cost generic drugs off the market.

Given the power of the pharmaceutical lobby, advocates of these proposals acknowledge that passing any legislation will not be easy. But strategists say the issue will almost certainly be fully aired on the campaign trail.

"I think you'll see Democratic candidates almost everywhere take the industry on head-on," said Jim Jordan, executive director of the Democratic Senatorial Campaign Committee.

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