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# Pricing Drugs

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WITH THE MEDICARE prescription drug program projected to cost \$134 billion more than originally planned, it's hardly surprising that Congress is talking price controls. Rep. Nancy Pelosi (D-Calif.), the House minority leader, and Thomas A. Daschle (D-S.D.), her Senate counterpart, have already called for the government to negotiate prices on behalf of the private companies that will be buying drugs for Medicare recipients. Others have revived the idea of reimporting drugs from Canada. Pharmaceutical executives are braced for a price-control movement that may take off -- and succeed -- at any time.

It's easy to see where the political momentum is coming from. High drug prices are one of the factors driving up the cost of government health care programs -- Medicaid as well as Medicare -- along with private insurance premiums. The pharmaceutical industry, through its powerful Washington lobbying machine, seems bent on eliminating any challenge to its wealth, and it has done itself no favors by spending billions on mass-market advertising that seems designed to subvert physicians' and insurers' advice. The injustice of the different prices on either side of the U.S.-Canadian border is not lost on members of Congress from northern states, and it cannot be maintained indefinitely.

Nevertheless, before the call for price controls gains too much momentum lawmakers should make sure they've looked at all the options. Governments are notoriously bad at setting prices, and the U.S. government is notoriously bad at setting prices in the medical realm. Sen. John Breaux (D-La.) has written of how ludicrous it is that surgeons come into his office lobbying for the Senate to approve payments for one particular medical procedure or to raise payments for another. The Congressional Budget Office has also stated that government interference would have a "negligible effect on federal spending" because the private plans will do just as good a job. Although U.S. drugmakers are not honest about all of their spending, it is also true that the \$30 billion they spend on research and development every year is important to innovation and the development of new drugs.

This doesn't mean prices will rise indefinitely: At least some downward pressure on seniors' drug prices will, as the CBO points out, come from private insurance companies that participate in the new Medicare prescription drug program. More will come, over the next few years, from the new drugs that annually become available in generic form. Food and Drug Administration Commissioner Mark B. McClellan has indicated his intention to further streamline both the drug approval process and the procedures for letting name-brand drugs become generic. He has also spoken about the need for Canada and Western Europe to pay their fair share of drug development costs -- an issue which, sooner or later, needs to become a subject for diplomats.

Finally, markets don't work well without correct information. If Congress really cares about making sure

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drugs are used in the most effective and most economical ways possible, it should put more effort into ensuring that doctors and patients know enough about the drugs they are taking. Recent studies have shown that some older drugs may be just as effective as newer, more expensive drugs -- drugs for high blood pressure, most famously, but also some antibiotics and antidepressants. Indeed, the vast majority of new and more expensive drugs -- two-thirds, according to the FDA -- use active ingredients already on the market. Yet there is no systematic testing to measure their comparative effectiveness. Although Congress, in the Medicare legislation, authorized \$50 million for the tiny Agency for Healthcare Research and Quality to do exactly that, the figure has disappeared from the budget. Before Congress starts setting prices, more should be done to ensure that the public and medical professions have access to good information and that older and generic drugs are used whenever possible.

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