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A.M.A. Says Government Should Negotiate on Drugs

By ROBERT PEAR

WASHINGTON, Oct. 16 - The American Medical Association says the government should negotiate directly with drug manufacturers to secure lower prices on prescription medicines for the nation's elderly.

Under the new Medicare law, signed by [President Bush](#) last December, 41 million elderly and disabled people will have access to drug benefits in 2006. Medicare will rely on private health plans to deliver the benefits. The law says the government "may not interfere" in negotiations with drug companies.

Authors of the law included that provision out of fear that government involvement could overwhelm the free market, leading to federal regulation of drug prices - "price-fixing" by federal bureaucrats, in the words of Senator Charles E. Grassley, Republican of Iowa.

The American Medical Association lobbied last year for the Medicare law, which makes hundreds of changes in the giant health insurance program.

The association now says Congress should pass legislation giving the secretary of health and human services authority to negotiate contracts with manufacturers of drugs that will be covered by Medicare.

The association, often viewed as a conservative voice for organized medicine, is influential on Capitol Hill. It strongly supports Republican efforts to limit damages that can be awarded in medical malpractice lawsuits.

But it is Democrats who have taken the lead in trying to repeal the ban on federal negotiations with drug manufacturers under Medicare.

In the presidential debate on Wednesday, [Senator John Kerry](#), the Democratic nominee, said Medicare should be allowed to save money through "bulk purchasing" of drugs. But, Mr. Kerry said, "rather than help seniors have less expensive drugs, the president made it illegal, illegal, for Medicare to actually go out and bargain for lower prices." As a result, he said, drug companies will receive a "windfall profit."

Mr. Kerry did not vote on the legislation when it received final Senate approval in November, but he had criticized it earlier.

Within hours after Mr. Bush signed the Medicare law last year, the Democratic leaders of the House and the Senate, Representative Nancy Pelosi of California and Senator Tom Daschle of South Dakota, introduced bills to give federal officials the "authority to negotiate prices with manufacturers" of drugs covered by Medicare.

Dr. Andrew F. Calman of San Francisco, an ophthalmologist who pushed for the new policy adopted by

the medical association, said: "I don't think it's a Democratic or a Republican issue. We have the support of doctors from different points on the political spectrum. We're very concerned about patients' access to affordable drugs. I have some glaucoma patients who need to take three or four different types of eye drops to avoid going blind, and each medication may cost \$50 to \$100 a month."

Ms. Pelosi said: "I'm pleased to have the A.M.A.'s support for negotiating lower prices and look forward to working with them on this issue. Their support will be a significant help."

Under the new law, competing private plans will buy drugs for Medicare beneficiaries. The Bush administration and the Congressional Budget Office contend that these plans will be able to obtain large discounts from drug manufacturers, saving just as much money as the government could in such negotiations.

The secretary of health and human services "would not be able to negotiate prices that further reduce federal spending to a significant degree," said Douglas J. Holtz-Eakin, director of the budget office.

Megan E. Hauck, deputy policy director of Mr. Bush's re-election campaign, said that, despite their current position, Mr. Kerry and other Democrats had once supported bills that prohibited the government from interfering in drug price negotiations. One such bill was introduced in 2000, but never advanced.

In asserting that Medicare officials should be able to negotiate with drug companies, the medical association said that other federal agencies, like the Department of Veterans Affairs and the Defense Department, had "negotiated favorable rates on prescription drugs on behalf of their beneficiaries, resulting in very substantial cost savings."

Moreover, it said, "others delivering medical services under federal health care programs, including physicians, have long been under government-imposed limits on their fees."

Doctors and hospitals often complain about federal regulation of the payments they receive under Medicare, and some suggest that it would be an anomaly if drugs were completely exempt from such restraints. Some doctors worry that rapid growth in Medicare spending on prescription drugs could create new pressure to hold down payments to doctors and other health care providers in the program.

At its annual meeting in June, the policy-making arm of the medical association, known as the house of delegates, voted to study the safety and feasibility of drug imports from Canada and other countries as a way to reduce patients' costs.

Dr. Donald J. Palmisano, former president of the association, said the study would consider "reasonable mechanisms for medications to be safely re-imported, under Food and Drug Administration guidance, from other countries."

The Bush administration has consistently opposed efforts to allow imports of prescription drugs from Canada and other countries. But in the presidential debate on Oct. 8, Mr. Bush hinted that he might be open to the idea, if the government could somehow ensure the safety of imported drugs.

"It may very well be here in December you hear me say I think there's a safe way to do it," Mr. Bush said.

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