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Drug Prices Rose After Medicare Law, Group Says

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By Susan Heavey

WASHINGTON (Reuters) - Prices for medicines most used by older Americans rose steadily after the Bush administration enacted the new Medicare law late last year, the nation's largest group representing the elderly said on Wednesday.

AARP, formerly known as the American Association of Retired Persons, said brand-name drug prices have climbed 3.4 percent -- or three times the rate of inflation -- since

December.

The jump was one of the sharpest quarterly spikes since 2000, the report said.

The findings follow another AARP report this year that showed prices for drugs used most by the elderly grew 6.9 percent in 2003. But the increase since President Bush signed the Medicare bill into law was even sharper, the AARP said on Wednesday.

Drug companies say higher prices reflect growing research and development costs, which topped \$33.2 billion industry-wide in 2003. They also argue spending money on medicine can prevent more expensive hospitalization and other treatments.

AARP researchers looked at the wholesale price of 197 brand-name prescription drugs most used by older adults.

When manufacturers charge wholesalers more, "this added cost is generally passed on as a similar percent change in the retail price to most prescription purchasers," the report said.

Johnson & Johnson's blockbuster pain patch Duragesic saw the highest price increase of 9.9 percent, followed by Novartis cholesterol drug Lescol at 9.5 percent.

Among the 25 top-selling drugs, Bristol-Myers Squibb Co.'s anti-clotting drug Plavix topped the list with a 7.9 increase, followed by its cholesterol-fighting Pravachol at 7 percent.

Prices for eight Pfizer drugs, including Lipitor and Celebrex, rose between 2.9 percent and 6.4 percent.

At a campaign event earlier this month, Bush said prescription drug cards mandated by the new Medicare law will save the elderly at least 15 to 30 percent.

His expected Democratic rival, Sen. John Kerry of Massachusetts, has blasted the privately run drug card program, turning prescription and other health care costs into a major election issue.

The cards are a temporary fix until the full Medicare prescription benefit starts in 2006. The law also prevents the U.S. government from directly negotiating drug prices.

Similar price rises were seen "after other political actions that were intended to extend drug coverage or provide

drug discounts," including when Congress initially passed the Medicare bill earlier in 2003, AARP said.

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