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Allen, consumer group question drug-company pricing

● Drug makers say they change high prices to cover the cost of research, but data suggest that's not so.

By BART JANSEN

Staff Writer

WASHINGTON — U.S. Rep. Tom Allen of Maine on Monday joined the effort to force drug makers to pay for their research and development costs.

and charging customers an inflated price.
The industry has claimed for years that it costs \$500 million to develop each new drug — factoring failures in with successes. Public Citizen estimated the actual cost at about \$110 million.
The group trimmed the figure by calculating that the federal government covers more than half the cost of drug research and that businesses can deduct one-third of their research costs from taxes.
“The \$500 million figure is highly

misleading if not an outright fraud,” said Frank Clemente, director of Public Citizen’s Congress watch. Public Citizen is a liberal consumer advocacy group founded by Ralph Nader.
Because drug companies blame the rising cost of prescriptions on the cost of research and development, Allen said the companies have lost their justification for rising prices.
“No other industry gouges the needy as they do or operates in such a shroud of secrecy,” said Allen, a Democrat who was among the first to advocate nationally for a prescription-drug

benefit. “No other industry is as heavily subsidized by taxpayers.”
Spokesmen for the industry group Pharmaceutical Research and Manufacturers of America, didn’t immediately return calls seeking comment.
The group has argued in the past that rather than criticize manufacturers, lawmakers should create a benefit to help the elderly obtain medications.
The industry group also has argued that society should acknowledge the value — not just the prices — of



Rep. Tom Allen, D-Maine

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DRUGS

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medicines in helping people live longer, healthier lives. For example, the group noted that the total number of nursing-home residents fell 200,000 during the past decade even as the number of people at least 85 years old increased.

The study came as Congress prepares to debate whether to create a benefit for prescription drugs within Medicare. President Bush proposed to create such a benefit, but lawmakers worry that the \$300 billion budgeted over 10 years for the program won't be enough to lower costs much for the 39 million Medicare beneficiaries.

In addition, Allen proposed legislation to give Medicare recipients an estimated 40 percent discount on their prescription prices by capping costs at the average of six other industrialized countries: Canada, England, France, Germany, Italy and Japan. Manufacturers would have to lower prices on prescriptions for Medicare recipients in order to continue selling to Medicaid and the Department of Veterans Affairs.

But Republican leaders have given little attention to capping industry revenues, focusing instead on improving competition to cut prices.

Industry critics acknowledged a lack of public outrage against the drug industry, but lawmakers said publicizing anecdotes about senior citizens unable to buy needed drugs would spur action.

"I think there's a great deal of public anger and public frustration out there," Allen said. "I think there is

very broad public support for a discount and a benefit."

Public Citizen reported that the pharmaceutical industry spent \$177 million on lobbying, \$65 million on issue ads and \$20 million in campaign contributions in the last two-year election cycle.

But the industry keeps its research figures secret. Public Citizen based its review on a 1991 Tufts University study that estimated research costs at \$500 million to develop each new drug. Public Citizen said the figure was before taxes, ignoring that businesses could deduct one-third of the cost of research.

Based on a National Institutes of Health study, Public Citizen reviewed the top five best-selling drugs in 1995 and found that taxpayer-funded scientists conducted 55 percent of the research projects that led to discovery and development of those drugs. Foreign institutions conducted another 30 percent of the studies.

In addition, Public Citizen reviewed all drugs that the Food and Drug Administration approved from 1982 and 1999 and found only 22 percent represented "important therapeutic gains." The group used this figure to demonstrate that "copy-cat" drugs represent less risk to manufacturers than developing innovative medicine.

"It's clear that the drug industry is riding roughshod over the American public and they're winning," said U.S. Rep. Fortney "Pete" Stark, D-Calif., a ranking member of the Ways and Means health subcommittee. "The drug companies are getting appreciably more greedy."

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