

BUSH ON DRUGS

Senior citizens must often depend upon prescription drugs to stay alive. Although Bush tells them they have a drug benefit coming from Medicare, the overwhelming benefit will go to the hugely profitable pharmaceutical corporations who contribute so generously to politicians.

Harry Truman believed it was a tragedy we didn't take better care of the elderly in our society, and as soon as he became president, he called for a national system of compulsory health insurance, funded by payroll deductions, whereby all citizens would receive medical and hospital services irrespective of their ability to pay. Speaking at Oxford University on June 20, 1956, Truman stated "we must declare in a new Magna Carta, in a new Declaration of Independence, that henceforth economic well being and security, that health and education and decent living standards, are among our inalienable rights."⁶⁸¹

Although Truman failed to secure national health insurance for all Americans, in the early 1950's an idea began to take hold that the Social Security system could never achieve its promise until it provided protection against the high cost of medical care for the elderly. Since insurance companies considered the elderly bad risks and declined to insure them, the burden of medical care stripped the elderly of their savings and reduced them to poverty, no matter how hard they had worked and saved.⁶⁸²

Although he had promised to help indigents meet the cost of medical care, President Eisenhower opposed the provision of health insurance through the Social Security system, and it was not until 1957 that government health insurance became the top priority for organized labor. Coincidentally, the American Hospital Association, whose members increasingly had to absorb the cost of providing care to elderly charity cases, began to favor the Social Security approach in 1958. However, the American Medical Association remained adamantly opposed.⁶⁸³

In 1960, Congress defeated both a Democratic Social Security Medicare plan and a Republican supported "subsidy" plan. Instead, it passed a compromise plan to increase medical vendor payments through the States in matters of "medical indigence."⁶⁸⁴

During the 1960 presidential campaign, John Kennedy proposed that the government provide medical care for the elderly through Social Security, and immediately following his inauguration, he sent a special message to Congress urging its adoption. Supported by organized labor, Medicare bills were introduced in the House and Senate, but the AMA attacked the legislation as "the most deadly challenge ever faced by the medical profession." Debate continued for a year, with amendments and compromises; however, when the bill finally came to a vote in the Senate, it was barely defeated by just two votes. President Kennedy vowed to take the matter to the voters.⁶⁸⁵

Following the assassination of President Kennedy, and along with the re-election of President Lyndon Johnson with the greatest plurality in history, the Democrats made major gains in Congress. President Johnson had vowed that Medicare was his top priority, and bills to enact it were the first ones introduced in both the House and Senate. Even though the AMA continued with a last-ditch fight, Congress passed bills making medical care an integral part of Social Security on July 9, 1965.⁶⁸⁶

On July 30, 1965, standing beside a beaming Harry Truman in Independence, Missouri, President Johnson signed the Medicare bill and established the principle that caring for the medical needs of our elderly is one of the duties of our "Great Society." President Johnson proclaimed, "No longer will older Americans be denied the healing miracle of modern medicine. No longer will illness crush and destroy the savings they have so carefully put away over a lifetime so that they might enjoy dignity in their later years."⁶⁸⁷

Medicare coverage was expanded to include disabled persons under age 65 in 1972 and to all federal civilian employees, including the judiciary, members of Congress and the president, in 1984. There was a major overhaul of Medicare

in 1988 that included coverage for prescription drugs; however, the coverage was dropped the next year when seniors realized they would have to pay its full cost through increased fees and premiums.⁶⁸⁸

President Reagan believed that Medicare represented socialism at its worst and that, in the future, the elderly would tell "our children and our children's children what it was like in America when men were free." The attack against Medicare was carried on by Newt Gingrich, who compared it to "centralized command bureaucracies" in Moscow. Gingrich called for significant reductions in the cost of Medicare through free-market competition and private alternatives.⁶⁸⁹

With advances in pharmaceutical science, much of it conducted with government research grants, seniors became increasingly dependent upon a wide range of prescription medications for ailments such as arthritis, cardiovascular problems, osteoporosis, and Alzheimer's disease.⁶⁹⁰ However, Medicare did not cover the costs of any of these drugs, if prescribed on an outpatient basis. Many seniors purchased Medigap insurance to help pay for essential prescriptions. These plans are regulated by the government, with coverages labeled from A to J, and premiums vary with the coverage and deductible. Plans H, I, and J cover prescription drugs, and after an annual deductible of \$250, seniors pay one half of prescription costs up to \$6,250 per year (under Plan J).⁶⁹¹

Going into the 2000 presidential campaign, it was estimated that Medicare provided health insurance coverage for 39 million elderly and disabled Americans, about one out of every seven people. At least one third of the beneficiaries did not have any prescription drug coverage, requiring them to pay their outpatient prescription drug costs out of their own pockets or do without. With the senior population expected to double over the next 25 years, growing to 20 percent of the population, polls revealed that health care was the most important concern of Americans.⁶⁹²

Although both presidential candidates talked about health care and providing prescription drug coverage, there were differences in their positions. Gore stated that he would

maintain the existing structure of Medicare but would add a limited prescription drug benefit for all beneficiaries, with deductibles and maximum limitations.⁶⁹³

Bush essentially proposed the elimination of Medicare under Social Security and urged its replacement with a “premium support” program similar to the “subsidy” plan originally supported by the Republicans in 1960. Instead of guaranteeing specific health benefits, he wanted to provide a limited payment to seniors in the form of a voucher to be used to purchase their own health plan. Any difference between the voucher amount and the cost of the plan would be paid by the senior.”⁶⁹⁴

Bush promised “to have prescription drugs as an integral part of Medicare,” but that was not exactly what he meant. What he meant was that he wanted to privatize the process by having seniors obtain prescription insurance offered by HMOs, Medigap, retiree health insurance, and special prescription plans. Under these plans, there would be no guarantee that specific medicines would be covered, as the “formulary” would be defined by each private plan.

Thar’s Gold in Them Thar Pills!

There were two reasons why Bush began to support Medicare reform and prescription drug coverage for the elderly. One was to use “reform” as cover to get seniors out of traditional “fee for services” plans, where they chose their own hospitals and medical providers, and into lower cost HMO’s. The second reason was money, lots of money, tons of money.

First the payout, then the prize. Between 1997 and 2001, the pharmaceutical industry spent at least \$403 million on lobbying. During the presidential campaign of 2000, the drug industry spent at least \$262 million on lobbying, direct campaign contributions and issue ads. The drug industry fielded a virtual army of lobbyists in Washington D.C. in 2001, with more than one for each member of Congress. In addition, the industry created two different tax-exempt groups (Citizens for Better

Medicare and United Seniors Association*) to avoid disclosing the \$65 million these groups spent on issue ads. Some ads opposed Medicare drug coverage, but many managed to get messages out either supporting or opposing a candidate. Finally, the drug industry contributed \$625,000 to help make Bush's inauguration party a smash.⁶⁹⁵

During the last midterm election cycle in 2001 and 2002, the drug industry gave a total of \$12 million to federal candidates and their political parties, with 74 percent going to Republicans and 26 percent to Democrats.⁶⁹⁶

What prize did the drug companies expect to win in return for their political investment? Protection and cash, plenty of protection and lots of cash! The national expenditure for prescription drugs almost doubled in just four years, from \$78.9 billion in 1997 to \$154.5 billion in 2001.

The drug industry, by most measures, has been the most profitable industry in America for the past 10 years, and was one of the top two for the previous 20 years. In 2001, the 10 largest drug companies posted a gross profit of \$37.3 billion in 2001, an increase of 33 percent. All of this money was made while most other Fortune 500 companies were reporting a downturn in profits consistent with the economic slowdown.⁶⁹⁷

One company, Pfizer, earned \$7.8 billion in 2001, more than all of the Fortune 500 companies in the apparel, homebuilding, publishing and railroad industries put together. Merck, at \$7.3 billion, earned more than all the companies combined in the

* The Center for the Study of Elections and Democracy at Brigham Young University was funded by the Pew Charitable Trusts to review the 2002 midterm elections. It found that the United Seniors Association was the most active issue advocacy group on television. The Center's survey also found that, by using such a nondescript name as United Seniors Association, the pharmaceutical industry was able to avoid being associated with its message inasmuch as 58 percent of seniors held an unfavorable impression of the industry. Following the industry's advertising blitz, seniors had a 95 percent favorable impression of the United Seniors Association. Talk about wrapping your message in the good old USA!

casino, crude oil production, food production, hotel, pipeline, resort, and semiconductor industries.⁶⁹⁸

The drug companies are able to make these obscene profits because the government allows them to market their products directly to consumers, provides them extended patent protections, provides generous tax breaks, helps fund their research, and prevents the imposition of price controls.⁶⁹⁹

Americans pay between 35 and 60 percent more for the identical medications than patients in most other industrialized countries, and the primary reason is that the United States does not impose any form of price control. One survey in 1994 found that the 77 most frequently dispensed drugs in America cost 60 percent more than in England. More recently, a Canadian survey of all patented drugs in 1999 found that Americans paid between 35 and 50 percent more than Canadians for identical medications. Because of this difference, the United States accounts for 60 percent of the profits earned by drug companies worldwide.⁷⁰⁰

Other governments use a variety of means to ensure that drug companies (many of the same companies that do business in the United States) receive a fair profit, and that consumers pay a fair price somewhat related to the cost of research and production. Many countries, including Germany, Belgium and the Netherlands, group drugs into clusters and establish a "reference" price for the cluster. Companies may charge more, but insurance companies will not pay the difference. France, Italy and Portugal negotiate directly with each company to determine a "fair" price for each medication after reviewing the company's justification and conducting price comparisons with other countries.

England directly controls manufacturers' profits by negotiating a target rate of return on sales to the National Health Service, currently between 17 and 21 percent. England pays the least for its prescription drugs. Canada regulates the entry price of newly patented drugs "to prevent brand name firms from abusing their monopoly position during the market exclusivity period." Canada has established a Patented Medicine Prices Review Board to establish pricing rules. Most companies

comply voluntarily, and in only four cases has the government had to resort to legal action to compel price reductions.⁷⁰¹

Drug companies have avoided the imposition of price controls in the United States by claiming that controls would reduce their incentive to research and develop (R&D) new drugs because they would not be able to recapture their investment costs. This representation is suspect for a number of reasons, not the least of which is the absolute refusal of drug companies to reveal their R&D data, even after nine years of effort by the General Accounting Office and a decision of the U.S. Supreme Court. One thing that might be revealed by such disclosure would be a significant portion of R&D devoted not to the development of new drugs but to the tweaking of existing, so called “me-too” drugs to extend their patent life.

Until 1992, the U.S. Food and Drug Administration ranked each new drug, 1A through 1C, by its ability to improve health. A drug ranked as 1A represented an important therapeutic breakthrough, and a 1C drug represented little or no therapeutic gain. President Bush Sr. eliminated these distinctions; however, the data show that between 1981 and 1991, more than half of the new drugs approved were in the “me-too” category. Only 16 percent were rated as 1A. Since 1992, 560 out of 730 “new” drugs approved by the FDA had therapeutic qualities similar to ones already sold.⁷⁰²

The National Institute of Health spent over \$1 billion of our tax dollars on drug R&D in 1996. This was a windfall benefit for drug companies, but not for the rest of us. Between 1965 and 1992, publicly funded research helped develop 71 percent of the 21 most important drugs introduced during the period. Between 1992 and 1997, taxpayers spent at least \$175 million for R&D of 45 of the 50 top-selling drugs during the period. Another study found that 11 of the 14 most medically significant drugs introduced in the last 25 years originated in government-funded studies. Finally, NIH-funded scientists conducted 55 percent of the research that resulted in the five top-selling drugs in 1995.⁷⁰³

These statistics tell us that government funding pays for the grunt work, and drug companies exploit it for free. A study by

the National Science Foundation established that only 14 percent of the drug industry's R&D funds went to basic research; 38 percent went to applied research and 48 percent to product development. In other words, the drug companies don't usually start to work unless they believe they have a marketable product.⁷⁰⁴

Another benefit enjoyed by drug companies in the United States is the lack of government control over the direct marketing of drugs to citizens. Only the United States and New Zealand, among the industrialized nations, allow drug companies to directly create an individual's desire for particular prescription drugs, irrespective of the medical provider's advice.

In 1997, the FDA weakened its rules for television advertising of prescription drugs, and direct-to-consumer advertising rapidly increased. In 1996, drug companies only spent \$220 million on TV ads. By 2000, they were spending \$1.57 billion. By 2001, Fortune 500 drug companies were devoting almost three times as much of their cash flow to marketing and advertising (30.4 percent) as to R&D (12.5 percent). And it pays off. Nearly one in three adults has spoken to their doctor about a drug they have seen advertised, and one in eight has received a prescription as a result. The 50 most advertised drugs resulted in retail sales of \$41.3 billion in 2000.⁷⁰⁵

Since the drug companies are making all this money, you would think that they are paying a bundle in taxes, right? Wrong. Between 1993 and 1996, the drug industry averaged an effective tax rate of 16 percent, compared to 27 percent for all other major industries. Between 1990 and 1996, the drug industry was able to use the tax credits provided by Congress to reduce its taxes by almost \$28 billion.⁷⁰⁶

The Health Reform Program of Boston University has estimated that the drug industry will garner \$139 billion in increased profit from the new prescription drug program's \$400 billion cost over the next eight years. This windfall to the world's most profitable industry will provide it with a 38 percent profit increase.⁷⁰⁷

The profits will likely be even more obscene because Bush knowingly misled Congress as to the actual costs of the legislation. The government's chief Medicare actuary had estimated that the plan would cost \$551 billion over 10 years; however, he was ordered to withhold the information from Congress and told that he would be fired for insubordination if he disobeyed.⁷⁰⁸

What is even more disgraceful, increases in profits by drug companies may personally and directly benefit the Bushes. The Bush family has been heavily invested in the prescription drug industry for years. In 1977, Bush Sr. was appointed to the board of directors of Eli Lilly, and he disclosed in 1979 that he was invested in Lilly, Abbott, Bristol and Pfizer. While he was Vice President, Bush Sr. lobbied to allow drug companies to dump obsolete drugs in the Third World and for special tax breaks for companies that manufactured drugs in Puerto Rico.⁷⁰⁹

Do your prescription drugs cost a fortune? Are you taken advantage of by the high price of prescription drugs? Have you been manipulated by drug company advertising? You're not stupid! Get the truth.

The Large Print Giveth and the Small Print Taketh Away

On November 26, 2003, Congress passed the Medicare Prescription Drug, Improvement and Modernization Act of 2003 that created a Medicare prescription drug benefit and gave private insurance companies \$14 billion to lure elderly beneficiaries from "fee for service" plans into HMOs. Employers and unions received \$71 billion in subsidies and \$14 billion in tax breaks to encourage them to continue health insurance benefits for their employees and members. Nonetheless, it is estimated that approximately four million retirees will lose their employer-provided health benefits under the new prescription drug plan.⁷¹⁰

The vote was close and largely split along party lines, with Republicans voting for the plan and Democrats against. The vote in the House was 220-215, and in the Senate it was 54-44. Primarily, the Democrats opposed the bill because they believed it undermined traditional Medicare, allowing younger and

healthier retirees to abandon traditional Medicare for less expensive government-subsidized HMOs, leaving the older and more infirm to pay ever increasing premiums. The Alliance for Retired Americans accused Congress of having "failed older Americans."⁷¹¹

Seniors at the lowest income levels will receive an immediate \$600 annual prescription drug subsidy. However, the only immediate benefit for most disabled and elderly beneficiaries is the availability of a \$30 per year prescription drug card for use in 2004 and 2005, to obtain prescription price reductions of up to 15 percent.⁷¹²

That portion of the Medicare bill that created the drug card program was crafted by David Halbert, one of Bush's friends, who just happens to be the CEO of AdvancePCS, a drug card company. Thus, is it any wonder that once seniors purchase a card, the provider can change prices on a weekly basis, providing no guarantee of continued savings? Rather than admit this deficiency, Bush spent tens of millions of dollars on television ads that misled seniors into believing the drug cards would save them money, and some ads used fake reporters to appear as serious news stories. The General Accounting Office reported the ads contained "notable omissions and errors."⁷¹³

Commencing in 2006, seniors with individual incomes less than \$14,505 will, after paying a deductible of up to \$50, receive up to 85 percent of drug costs up to \$5,100, with increased benefits after that point.⁷¹⁴

The vast majority of seniors, those having incomes of more than \$19,577, will pay a monthly premium of \$35 and an annual deductible of \$250. The plan will pay 75 percent of the next \$2,000 in costs. Seniors will then have to pay 100 percent of the next \$2,850 in annual drug costs, and after that the plan will pay 95 percent of costs over \$5,100. Premiums and deductibles will increase annually to \$58 per month and \$445 per year in 2013.⁷¹⁵ Is this not a strange payment schedule? What happens to seniors on a fixed income?

The legislation prohibits the government from directly negotiating with drug manufacturers to obtain lower prices.

Instead, benefits will be administered regionally through private insurers or pharmacy benefit managers.⁷¹⁶

At best, this is a ho-hum plan wherein most of the money flows to employers and the drug industry. Its primary consequence for retired individuals is to get them out of traditional Medicare into less expensive HMOs, at least until they get old enough and sick enough to be kicked out. However, it does help the elderly pay for their medications, right, at least after 2006?

There is a line in a song by poet-singer Tom Waits that goes, "The large print giveth, and the small print taketh away." Thus it is with Bush's prescription drug benefit. One of its provisions actually prohibits the sale of any Medigap policies after January 1, 2006 that would help seniors pay their drug costs. Now, why would Congress do away with the benefits of Medigap policies? They intentionally wanted the elderly to feel the pain of having to pay for a large portion of their prescriptions so they would be "sensitive" to the costs. In other words, seniors would not be allowed to obtain a policy to help them to bridge the \$2,850 gap between the first \$2,250 in costs and \$5,100, where the benefit kicks in again.⁷¹⁷ Do you know any seniors who are *not* sensitive to costs? Do know any who will not still stop to pick up a penny?

Get out your magnifying glass; there's more small print. The new drug plans could, and probably will, establish lists of preferred medicines known as "formularies." While the lists will include drugs in each "therapeutic category and class," such as cholesterol-lowering drugs, Medicare would not have to pay for any prescription drug not listed in the formulary. Isn't this increasing the risk of favoritism and corruption?

In addition, beneficiaries will not be allowed to purchase Medigap insurance to cover unlisted drugs, nor will they be allowed to count the price of unlisted drugs in reaching the \$5,100 level where the benefit kicks in again.⁷¹⁸ Remember, these are medications that have been prescribed by a medical doctor for a medical need.

There's even more small print. The 12 million retirees with employer-provided health care and prescription drug plans may sign up for the Medicare prescription drug benefit, but any contribution from their employer plan will not count toward reaching the \$5,100 level.⁷¹⁹ Why do we want to punish our elderly like this? What have they done to deserve this treatment?

Now, the print gets really tiny. Those low-income beneficiaries who have been receiving prescription drugs under state-administered Medicaid programs are forced to move over to the Medicare program, even if they have been receiving medications no longer available under Medicare. The Act prohibits state Medicaid programs from supplementing the Medicare prescription drug benefit. If a state wants to provide more than the Medicare benefits, they will have to pay the entire cost, and they will not be entitled to receive any of the discounts and rebates they now receive from drug companies.⁷²⁰

There's more. A conference committee report that accompanied the bill's passage encouraged the revision of existing Medigap policies to require beneficiaries to pay increased deductibles and more of the initial costs of physician and hospital services. The justification according to the report is that "Numerous studies have demonstrated that covering deductibles and coinsurance has led to higher Medicare spending because beneficiaries become insensitive to costs."⁷²¹ What this means is that those members of Congress who voted for this Act and the president who signed it may pretend to feel the pain suffered by the elderly, but they just don't care.

Or perhaps they really are so self-absorbed and isolated from those who elect them that they really don't understand how ordinary hard-working people feel and what is important in their lives. Nearly half of the newly elected representatives and senators in the class of 2002 are millionaires, and many own stocks in the very drug companies receiving the primary benefits from the legislation.⁷²² These are the same caring congressmen who have given themselves \$5,000 raises during four of the past five years. This \$20,000 pay raise is almost double the \$10,712 a minimum-wage worker earns for a full year's labor.⁷²³

There are some who believe that Bush Jr. will receive a political benefit from the enactment of his prescription drug benefit; however, that assumes that the elderly and their families who have the responsibility for their care and support can't read the fine print. We are smart enough to figure out where the money is really going, and why, and who is going to suffer even more as a result.

Who do you think benefited most from Bush's prescription drug bill, the elderly or the drug companies? You're not stupid! Get the truth.

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