

charged are significantly higher than what pharmaceutical companies charge their favored customers such as HMOs, insurance companies and the Federal Government.

Because of this price gouging, seniors across the country are gathering their friends and traveling to other countries such as Mexico and Canada to purchase prescription drugs because to buy them in our own country, is just too expensive. Why not go somewhere else when you can pay a lower price somewhere else?

Here's the reality—prescription drug prices are higher in the United States than they are in neighboring countries. According to the General Accounting Office (GAO), prescription drugs in the U.S. were priced about 34 percent higher than the same products in Canada.

The average price for products sold in the U.S. was \$45.17, ranging from \$2.35 (for Deltasone, 5 mg. tablets) to \$304.32 (for PCE, 333 mg. tablets). The average price for the same products sold in Canada was \$33.78, ranging from \$1.29 (for Deltasone) to \$211.98 (for PCE). The comparisons were based on data collected from both countries for 121 prescription drugs in the same quantities for each product.

Also, the group Public Citizen conducted a study of eight newly developed antidepressant and antipsychotic medications. They found that the prices for each of these eight drugs were higher in the U.S. than they were in 17 other European and North American countries. That's every country looked at in the study.

The study showed that on average, American prices were twice as high as other countries', and for individual comparisons with other countries, the American price was as much as six times higher.

The consequences are that many individuals who need these new drugs, for financial reasons, are not getting the treatment they need.

GAO says the reason for this differential in the drug prices in the two countries is because Canadian law controls prices of both new drugs entering its market and any increases in prices of pharmaceuticals already on the market.

If the manufacturers see profits in countries with price controls and/or government purchasing plans, why do they charge higher prices elsewhere?

When consumers in one area cannot buy in another, the seller may be able to increase its profits by engaging in what economists call price discrimination. That is what is going on in our country, pure and simple, price discrimination. And what this price discrimination amounts to is our seniors are being ripped off.

Mr. Speaker, if someone were going around stealing from seniors in your town or city, stealing right out of their homes and their pockets, people would be outraged. The police would be called and those thieves would be arrested. Then why are we allowing the pharmaceutical companies to rob our seniors? Isn't price discrimination the same thing?

We try to allow people to live longer, but then when a doctor prescribes a drug, the senior can't take it because they can't afford it.

We live in the richest country in the world but we allow people to starve, go without heat, and only take half of their medicine because they can't afford to take the prescribed

amount. It is also wrong that seniors have to travel hundreds of miles for medication, they need, often just to stay alive.

#### PRESCRIPTION DRUG PRICING

##### HON. PATRICK J. KENNEDY

OF RHODE ISLAND

IN THE HOUSE OF REPRESENTATIVES

*Friday, October 9, 1998*

Mr. KENNEDY of Rhode Island. Mr. Speaker, I want to thank Congressman ALLEN and Congressman BERRY for their work in organizing today's special order.

As we are hearing today, many seniors are unable to afford the cost of prescription drugs due to a lack of insurance coverage and excessive drug price inflation.

Ninety percent of Americans over 60 years or older take one or more medications. The days when someone only takes one drug a day are long gone. Today's seniors take three or four drugs a day at least. At the same time, 45 percent of seniors, age 65 and older, do not have prescription drug coverage.

High drug costs, coupled with this lack of coverage, often means making choices between groceries, heating oil, or prescription drugs. How many of our constituents have had to choose between buying certain foods at the grocery store or buying high blood pressure medicine? How many of them had to make sacrifices, just so they could buy their medicines?

For three out of four seniors, prescription drugs represent the highest out-of-pocket medical care cost; only long term care costs more.

The prices of the top selling prescription drugs have risen nearly four times the general rate of inflation between 1985 and the early 1990s. Meanwhile, the Federal Government and the taxpayer spends billions of dollars to help find drugs to treat the diseases of our generation: cancer, Alzheimers, high blood pressure, diabetes, and other chronic conditions.

The industry must do their share as well, and so far they are not doing enough. The pharmaceutical industry is the most profitable industry in the world. In FY 96, it made over \$106 billion in sales and revenues and \$16.2 billion in sheer profits.

One example of the profits made in the pharmaceutical industry is from the drug TAXOL. TAXOL is an anti-cancer drug that treats breast, lung, and ovarian cancers. It makes \$800 million in profits annually. The NIH budget supplied \$32 million of the money needed to research this drug. Furthermore, a cancer patient taking TAXOL may pay in excess of \$100,000, while the cost to the pharmaceutical company that manufactures this drug is only about \$500 per patient. We pay for the development of these medications, and then pay high prices for their use.

The bill that I introduced this spring with two of my colleagues, Republican Congressman TOM CAMPBELL of California and Independent Congressman BERNIE SANDERS of Vermont, gets at both the need for seniors' prescription drug coverage and the rising costs of these medicines. The bill, called Making Affordable Prescriptions for Seniors Act, will provide up to \$500 of such assistance, for any legally marketed prescription drug that is safe and effective according to the FDA.

Also, I am a proud sponsor of the Prescription Drug Fairness Act, by Congressman ALLEN and Congressman BERRY.

The Prescription Drug Fairness for Seniors Act protects senior citizens from drug price discrimination and makes prescription drugs available to Medicare beneficiaries at reduced prices.

The legislation is a "win-win" bill because it allows pharmacies that serve Medicare beneficiaries to purchase prescription drugs at the low prices available under the Federal Supply Schedule. The legislation has been estimated to reduce prescription drug prices for seniors by over 40 percent.

It is time that we help alleviate the burden on our nation's seniors and become accountable for rising drug costs. It is only fair that we end the need to make choices between a good nutrition and shelter or critical medication.

#### PRESCRIPTION DRUG PRICING

##### HON. THOMAS H. ALLEN

OF MAINE

IN THE HOUSE OF REPRESENTATIVES

*Friday, October 9, 1998*

Mr. ALLEN. Mr. Speaker, I am pleased to join my colleagues to address a very serious problem, the high price of prescription drugs. We only have a few remaining days left in this Congress. I would like to spend this time discussing the issues which matter to the American people such as HMO reform, reducing class size, and yes, improving the health and well being of our seniors.

As I travel throughout the first district of Maine, people, particularly seniors, share their experiences regarding the high cost of prescription drugs.

The high cost of prescription drugs is particularly difficult for seniors, who use one third of all prescriptions. While the average American under 65 uses only four prescriptions a year, the average senior uses 14 prescriptions a year. Furthermore, most older Americans suffer from more than one chronic condition, such as hypertension, diabetes, arthritis, glaucoma and circulatory problems.

Medicare does not provide prescription drug coverage, so many seniors do not have prescription drug coverage and must incur these expenditures out-of-pocket.

To bring attention to some of the above mentioned problems, and to consider appropriate action, I have joined my colleagues, Representative MARION BERRY and Representative JIM TURNER in establishing the Prescription Drug Task Force.

Last June I requested that the Government Reform and Oversight Committee investigate whether pharmaceutical companies are taking advantage of older Americans through price discrimination, and, if so, whether this is part of the explanation for the high drug prices being paid by older Americans.

According to a recent Standard & Poor's report on the pharmaceutical industry, "drugmakers have historically raised prices to private customers to compensate for the discounts they grant to managed care companies. This practice is known as 'cost shifting.'" I understand that this is the first study which attempts to quantify the extent of price discrimination and how it affects seniors.

The study investigated the prices of the 10 brand name drugs with the highest sales to the elderly (Zocor, Prilosec, Fosamax, Norvasc, Relafen, Procardia XL, Cardizem CD, Zolof, Vasotec & Ticlid).

The study estimates the differential between the price charged to the drug companies' most favored customers, such as large insurance companies and HMOs, and the price charged to seniors. The results are based on a survey of retail prescription drug prices in chain and independently owned drug stores in the first district of Maine.

These prices are compared to the prices paid by the drug companies most favored customers. Then, for comparison purposes, the study estimates the differential between retail prices and prices for favored customers for other consumer items.

This study has since been conducted in a number of congressional districts across the country. This is clearly a problem not only in Maine—but nationwide. A national report summarizing the investigations in our districts has been completed. I would like to take a few moments to share some of the findings of the national report.

Older Americans and others who pay for their own drugs are charged far more for their prescription drugs than are the drug companies' most favored customers, such as large insurance companies and health maintenance organizations.

A senior paying for his or her own prescription drugs must pay, on average, almost twice as much for the drugs as the drug companies' favored customers. This unusually large price differential is approximately four times greater than the average price differential for other consumer goods. The average price differential for the ten prescription drugs used in this study was 86 percent, while the average price differential for the other items was only 22 percent.

Other drugs commonly used by seniors that are not among the top ten have even higher price differentials. For example, an equivalent dose of Synthroid, a commonly used hormone treatment, would cost the favored customers only \$1.75, but would cost the average senior almost \$30.00! This is a price differential of 1,603 percent!

The high price of prescription drugs is not the fault of our pharmacists. Pharmacies have relatively small markups for prescription drugs—somewhere between 3–22 percent. Large pharmaceutical companies drive up the prices. Drug manufacturers make six times more profit on prescriptions than retail pharmacies.

A recent lawsuit alleged that pharmaceutical companies have created a dual price system of drug distribution. Drug companies give discounts to the big managed care companies and HMOs, while charging higher prices to independent drugstores and pharmacy chains. Four of the pharmaceutical companies chose to settle for \$350 million. Other cases are still pending.

Drug companies make unusually high profits compared to other companies. The average manufacturer of brand name consumer goods, such as Procter & Gamble of Colgate-Palmolive, has an operating profit margin of 10.5 percent. Drug manufacturers, however, have an operating profit margin of 28.7 percent—nearly three times greater.

Unquestionably, pharmaceuticals have improved the lives of millions of people with very

serious illnesses and chronic disabilities. Each year, drug companies introduce new drugs that restore the health, extend the life expectancy and improve the quality of life for people. However, these contributions are not a license for profiteering and price gouging.

The problems outlined in these reports, are not simply a series of numbers and charts and dollar amounts. These problems affect real people, everyday, in Maine and throughout the nation.

Recently, I joined several of my colleagues to introduce H.R. 4627, the Prescription Drug Fairness for Seniors Act. When we introduced the bill we were joined by one of my constituents, Vi Quirion.

Vi traveled from Maine to Washington to speak not only of her difficulties, but also of those of her friends and neighbors. Vi has arthritis and stomach troubles. She lives on about \$900 per month from Social Security and cannot afford supplemental coverage for her prescriptions.

Vi, like many seniors, cuts back on her medication or does not take it at all. As she said: "I can't afford to pay my prescriptions and gas and eat too. If I don't take Relafen it won't kill me, but it will certainly change my life. I won't be able to walk. We should not have to live like that."

It was for Vi and those like her that we introduced the Prescription Drug Fairness for Seniors Act. No older American should ever again have to choose between buying the drugs prescribed by their doctors and buying food for their tables or heat for their homes.

The legislation achieves these goals by allowing pharmacies that serve Medicare beneficiaries to purchase prescription drugs at the low price available under the federal supply schedule through the Secretary of the Department of Health and Human Services. The legislation has been estimated to reduce prescription drug prices for seniors by over 40 percent.

I understand that Pharmaceutical Research and Manufacturers of America President Alan Homer recently said: "the well-meaning efforts of the bill's sponsors unfortunately are likely to backfire on America's seniors. In a very real sense, this bill is a dagger pointed at the hearts of America's senior citizens."

This quote comes from an industry whose annual profits of the top ten drug companies is nearly \$20 billion. Pharmaceuticals rank as the number one industry in return in revenues and return on assets. Yes, pharmaceuticals rate well above the telecommunications and computer industries.

It is time to level the playing field and stop this price discrimination. It is time to put seniors' lives ahead of pharmaceutical profits. Support the Prescription Drug Fairness for Seniors Act.

#### PREScription DRUG PRICING

**HON. HAROLD E. FORD, JR.**

OF TENNESSEE

IN THE HOUSE OF REPRESENTATIVES

*Friday, October 9, 1998*

Mr. FORD. Mr. Speaker, at its core, the issue we are discussing today—the astronomically high prices seniors pay for prescription drugs—is about fairness.

Anyone in America who has older relatives or friends who are living on a fixed income

and taking prescriptions drugs, understands first-hand the devastating impact that the high cost of medication can have on the health and well-being of seniors.

As we all know, with age comes a greater susceptibility to health problems. As such, it is no surprise that: on average Americans over the age of 65 spend three times as much of their income (over 20%) on health care than Americans under the age of 65; 75% of Americans 65 and older take prescription drugs; on average older Americans take 2.4 prescription drugs at any one time; and even though older Americans only comprise 12% of the population, they take 33% of the nation's prescription drugs.

One would think that since older Americans make-up such a large segment of the market for prescription drugs that they would pay reasonable prices for their medication.

Unfortunately, that is not the case. Rather due to a pharmaceutical industry practice known as "cost-shifting" and the limited powers of seniors, they get the short end of the stick compared to HMO's and other "most favored customers" when it comes to the cost of drugs.

For example, studies conducted by the Government Reform & Oversight Committee of Congressional districts across the nation (see Attachment "Prescription Drug Pricing in the 9th Congressional District in Tennessee, Drug Companies Profit at the Expense of Older Americans") shows that for commonly prescribed drugs, seniors on average pay between 96%–104% more than "most favored customers." Back home in my Congressional District, seniors who have suffered a stroke or have high blood pressure or depression, can pay anywhere from \$110–\$275 for their prescription medication. For the senior in my District that is taking the national average of 2.4 prescription drugs, that means a medication bill of: at least \$264 a month or \$3,168 a year; or at most \$633 a month or \$7,600 a year.

No matter how you cut it, these prices and the discrepancy in cost between what seniors and HMOs pay is fundamentally unfair and must come to an end. In my view, if anything, seniors and not HMOs should be the "most favored customers" of pharmaceutical companies.

Fortunately, thanks to the leadership of my colleagues JIM TURNER and TOM ALLEN, we now have legislation—the Prescription Drug Fairness Act and the Prescription Drug Fairness for Seniors Act—designed to help level the playing field when it comes to the cost of prescription drugs. Under these measures, the price of medication for seniors will be reduced, among other ways, by: providing Medicare beneficiaries with a drug benefit card that will entitle the holder to purchase drugs at reduced prices from participating pharmacies; and allowing pharmacies to purchase drugs at the same lower price as the Federal Government, thus allowing pharmacies to pass the savings on to seniors.

As Congress continues in the weeks and months ahead to discuss and debate the scope and nature of health care reform, it is critically important that we take the time to confront issues like this—issues that affect the ability of millions of Americans to receive quality health care in an efficient and cost effective manner.

As a public policy maker at the federal level, I believe Congress has a responsibility to help