

Drugmakers May Pay More For Health Overhaul

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WASHINGTON (AP) - The pharmaceutical industry may have to cough up more than the \$80 billion it agreed to contribute to President Barack Obama's health overhaul effort, reflecting pressure from Democrats and their supporters for more money to cover older and low-income people.

Obama and congressional Democrats want the drug industry to remain a crucial ally in the health care fight because of its deep pockets and influence in states where it is a large employer, including New York, New Jersey, Connecticut and Indiana. So far, it remains an active backer of the Democrats' efforts to expand a supportive TV ad campaign on which it has already spent tens of millions of dollars.

By many accounts, the health package the House approved last month would count on getting about \$140 billion from drug companies to defray additional health care costs over the next decade. Industry officials say the version the Senate is debating may already pluck close to \$100 billion from drugmakers -- and an expected parade of amendments could boost that by billions more.

"The numbers are still in the same ballpark," said Ken Johnson, senior vice president of the Pharmaceutical Research and Manufacturers of America. "And we're still committed to making health care reform a reality this year."

The proposals to dig deeper into drugmakers' wallets pose a test for one of Washington's richest lobbies as it works to limit the damage. Many Democrats believe the industry will profit when roughly 30 million uninsured Americans gain coverage for prescriptions.

"There's enormous pressure on the part of Democrats to spend more money. Who's got deep pockets?" said Robert Laszewski, a health care consultant. "The drug companies are going to have to pay more."

About \$320 billion in pharmaceuticals will be sold in the U.S. next year, according to IMS Health Inc., a data tracking firm. But that is expected to grow by less than 5 percent annually in the next few years, a relatively low figure caused by a paucity of new drugs and growing numbers of low-cost generic competitors, IMS said.

Other groups backing the health overhaul also are facing problems as Congress shapes the legislation. Hospitals oppose an amendment penalizing those facilities with high infection rates, and groups representing the elderly are wary of a Medicare cost-saving commission that, they worry, would cut the program too deeply.

So, pressures to write legislation at the cost of the drug manufacturers is widespread.

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The powerful AARP, representing older Americans, wants to close the "doughnut hole," a gap in Medicare's coverage of prescription drugs. Consumer groups want higher federal subsidies so low-income people can afford health insurance.

Senators want to require bigger drug discounts for many low-income seniors, to allow importation of lower-priced drugs and to shorten the period of patent protection for brand-name biological drugs opening the way for less expensive generic competitors. There is a push to cover the uninsured sooner than three or more years from now, a delay lawmakers built into the bills to reduce the cost.

The House bill has a 10-year overall price tag of \$1.2 trillion while the Senate's costs nearly \$1 trillion.

Those targeting drugmakers point to a recent AARP report saying prices on popular brand name drugs rose by 9 percent over the past year, when overall inflation fell. They also cite recent Fortune magazine rankings showing that pharmaceutical companies' profits grew by 25 percent last year, fifth highest among 51 industries.

Drugmakers dispute that.

Johnson says the AARP study overstated drug prices by ignoring discounts manufacturers often provide. He says the industry has shed thousands of jobs this year and saw lagging stock prices, and says its profits from an overhaul would be limited because many new customers would buy generic drugs or get discounts.

To argue their case, drugmakers have spent \$137 million lobbying this year, more than any other industry, the nonpartisan Center for Responsive Politics says. In July through September, the drugmakers' trade group alone reported spending nearly \$7 million lobbying. It directly employed 19 lobbyists working on health care overhaul and hired 24 outside firms with 73 lobbyists for the issue.

The pharmaceutical industry agreed to provide \$80 billion in drug subsidies and fees in a June deal with Senate Finance Committee Chairman Max Baucus, D-Mont., and the White House. Baucus aides said the bill his panel approved in October honored that figure.

The version the Senate is debating, written by Senate Majority Leader Harry Reid, D-Nev., might already be higher, although its final cost to the drug industry remains unclear.

But the House bill would cost drugmakers about \$140 billion, according to Rep. Frank Pallone, D-N.J., chairman of the health subcommittee. That suggests an eventual House-Senate compromise is likely to exceed \$80 billion.

"They didn't reach that agreement with us," said Rep. Henry Waxman, D-Calif., chief author of the House-passed bill, of the \$80 billion figure. "We need all the money we can get to hold down costs."

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