Making Prescription Drugs Affordable:

How Washington State Can Help Uninsured Residents Achieve Fair Prices Through Market Clout

Washington Citizen Action (WCA)
Northwest Federation of Community Organizations (NWFCO)
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Overview

> Irene Hull lives in King County, Washington. She is 87 years old. Her monthly income is $657, and even after twenty years of retirement, she still has a little savings left with which she supplements her small income. Fortunately, Irene has insurance coverage through Medicare, since she has health problems. Unfortunately, Medicare does not cover the prescription drugs she needs, drugs which cost almost $600 a month – or would cost that much if she didn't travel regularly to Canada, where she is able to purchase them for half that amount.[1]

Drug companies charge U.S. citizens more than people of other countries for the same prescription drugs.[2] They also charge uninsured Americans more than insured Americans for the same drugs.[3 *]

By overcharging, drug companies seriously threaten the health of the nearly one in five (1.25 million) Washingtonians – and the nearly 71 million Americans – without meaningful prescription drug coverage.[4] Forty two percent of uninsured Americans — and seventeen percent of all Americans – reported that for financial reasons they did not fill prescriptions given to them by their doctors.[5] Such individuals, unable to pay the exorbitant prices that drug companies charge the uninsured, find themselves "sharing doses, skipping doses, or simply doing without medicine altogether."[6] Even drug industry analysts such as Merrill Lynch concede that given current prices, those without drug coverage risk not receiving "comprehensive, effective treatment."[7]

While the health of Americans suffers, drug industry profits soar. In April 2000, Forbes Magazine ranked the pharmaceutical industry as the most profitable in the world.[8] Drug companies are able to reap these kinds of profits in part because the prices companies set for prescription drugs are significantly outpacing both production costs and the cost of living. In each of the past six years, for instance, the prices of the 50 prescription drugs most used by older Americans have increased considerably faster than inflation.[9]

We need to take action now to force down the cost of prescription drugs in our state. Legislation proposed by Washington Citizen Action (WCA) — the Prescription Drug Fair Pricing Act — will reduce costs by pooling the purchasing power of the nearly 1.25 million Washington residents currently without meaningful prescription drug coverage. The legislation could reduce the cost of drugs by up to 50% per prescription for uninsured residents.

The first section of this report documents the rising prices of prescription drugs in the United States, particularly for uninsured persons. The second section proposes and describes a solution to our prescription drug crisis — the Prescription Drug Fair Pricing Act. The third section analyzes drug company reaction to proposals to reduce the cost of prescription drugs, and documents the immense profitability of the drug industry and the likely impact on revenues and profits of a decrease in the cost of prescription drugs.

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[*] "Uninsured" in this report means individuals without meaningful prescription drug coverage.

I. The Problem: Drug Prices Spiral Out of Control

A. Americans, Particularly Uninsured Americans, Pay Too Much for Prescription Drugs

A comparison of the ten best-selling prescription drugs shows that drug companies set higher prices for the same drug in the U.S. than they do in other countries.

Table 1: Ten Best-Selling Prescription Drugs: Prices in Canada vs. the U.S.

Drug	Drug is Used For	Price per pill in Canada	Price per pill in U.S	Percent U.S. Price Exceeds Canadian Price
Prevacid	Ulcer	$ 1.34	$ 3.13	134 %
Prisolec	Heartburn/Ulcer	$ 1.47	$ 3.31	125 %
Zocor	High cholesterol	$ 1.47	$ 3.18	116 %
Prozac	Depression	$ 1.07	$ 2.27	112 %
Lipitor	High cholesterol	$ 1.34	$ 2.54	90 %
Paxil	Depression	$ 1.13	$ 2.22	88 %
Zoloft	Depression	$ 1.07	$ 1.98	85 %
Claritan	Allergies	$ 1.11	$ 1.96	77 %
Zyprexa	Mood disorder	$ 3.39	$ 5.27	55 %
Epogen	Anemia	$ 21.44	$ 23.40	9 %

Source: USA Today, November 10, 1999, as cited in "Playing Fair: State Action to Lower Prescription Drug Prices," Center for Policy Alternatives, Washington, D.C., June 2000, p. 2. All prices in US dollars.

Given these price differences, it is little wonder that per-person spending on drugs in U.S. is almost twice what it is in other countries, like Canada and the U.K.

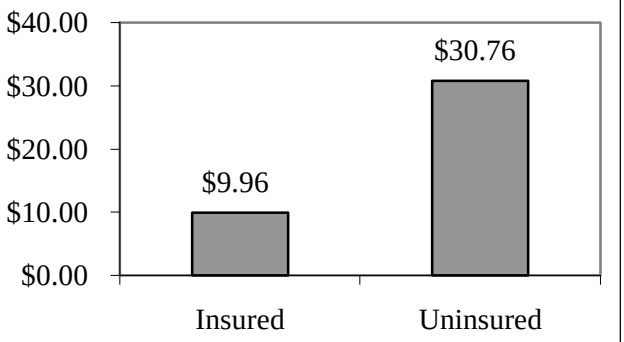
Table 2: Per Capita Spending on Pharmaceuticals by Country

Country	Per Capita Spending
Canada	$251
U.K.	$251
U.S.	$408

Source: "Prescription Drug Trends: A Chartbook," The Henry J. Kaiser Family Foundation, Washington, D.C., July 2000, p. 27.

This is unfair for all Americans, particularly those uninsured who are charged the most for prescription drugs. (See Chart 1.)

Chart 1:
Monthly Cost per Prescription for Insured vs. Uninsured Individuals, 1997



Source: "Prescription Drug Trends: A Chartbook," The Henry J. Kaiser Family Foundation, Washington, D.C., July 2000, p. 13. [10]

Nancy Stephens
Sumner, Washington

I've had asthma all my life and the medicine I take for it is very expensive – it costs me $1100 a month. Now that I'm retired, between social security and disability, I have about $1,300 a month in income. So you can see the problem. If it wasn't for my doctor giving me free samples, I wouldn't be able to buy my prescriptions. I don't know how I'd get along. I can't breathe without my inhalers. I'm going to be in real trouble soon, though, because the disability I get from my old employer is about to run out. That means I'll only have around $800 a month. I don't know what I'll do then.

B. Why Drug Companies Are Able to Overcharge Uninsured Americans

In the U.S., the uninsured pay more than the insured for the same drugs for two reasons:

- Those without drug coverage cannot gain economies of scale by sharing the cost of drugs with other insurers (i.e. companies or public agencies).

- Drug companies sell drugs to insurers – and, by extension, their insured customers – at lower prices.

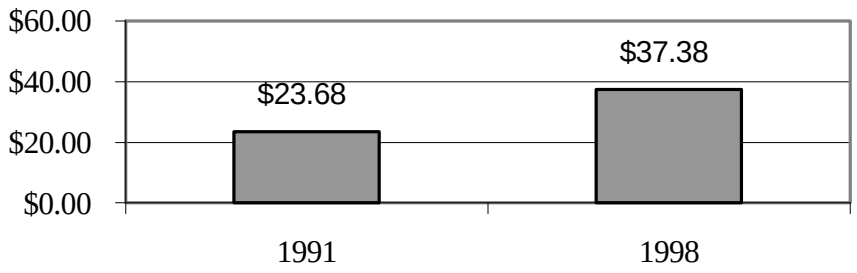
> "The exact same name-brand medicine and dosage sold at retail to an uninsured person for $100 will, on average, be sold to an HMO or the Medicaid program for $65, and to the U.S. Departments of Defense or Veterans Affairs for $46. In other words, for the same prescription, an uninsured American pays over 50 percent more than an HMO or the Medicaid program, and over twice as much as the Departments of Defense or Veterans Affairs."[11]

And the situation is only going to get worse because:

- **Drug prices have risen steadily in the last decade, a trend which will likely continue.**

The average retail price of a prescription drug in the U.S. grew almost 60 percent between 1991 and 1998.[12] (See Chart 2 below.) This is over two and a half times the average annual rate of inflation in those years.[13]

Chart 2: Average Retail Price of Prescriptions in U.S. 1991 and 1998



Source: Scott-Levin, *Source Prescription Audit* (SPA), December 1999, as cited in "Prescription Drug Trends: A Chartbook," The Henry J. Kaiser Family Foundation, Washington, D.C., July 2000, p. 34.

Prices for the most commonly prescribed drugs are rising, on average, at twice the rate of inflation. For some drugs, the gap is even greater. For example, the price of Lorazepam (used to treat Parkinson's disease, anxiety, and convulsions) rose by 409 percent in six years – almost 27 times the rate of inflation.[14]

- **The need for prescription drugs is increasing with the aging of the baby boom generation.**

The proportion of the U.S. population 45 and older is growing.[15] In part because of this demographic trend, prescription drug expenditures, which totaled $91 billion in 1998, are projected to reach approximately $243 billion in 2008.[16]

Jeanette Williams
Burien, Washington

I'm 61 years old and am disabled as a result of a brain aneurysm. From disability and alimony, I have an income of $892 a month, but my prescriptions cost $959 a month. So far, I've just managed to get by because my doctor gives me $400 a month in free drug samples. But I don't know how much longer that will go on. I've applied for Medicaid [which covers prescription drugs], but they told me I make too much money. I can't work. What am I going to do?

II. The Solution: The Prescription Drug Fair Pricing Act

To protect state residents from profiteering by drug companies, Washington should pass the Prescription Drug Fair Pricing Act, which directs the state government to negotiate substantial price reductions and pass the savings on to those without prescription drug coverage, including seniors who rely on Medicare. The Fair Pricing Act would:

1. Provide a state prescription card to all residents who do not have prescription drug coverage under a public or private health insurance plan, approximately one-fifth of all residents;

2. Give the state government the responsibility to negotiate substantial rebates and discounts from drug companies, and then passes the savings along to state residents who are without prescription drug coverage;

3. Provide the state with tools to persuade drug companies to negotiate in good faith. These tools include publicly disclosing the names of drug companies who refuse to negotiate in good faith, providing information to pharmacists and other health care professionals about the true cost of prescription drugs, and exercising the option to include drugs produced by uncooperative drug companies on the prior-authorization lists maintained by Washington health care programs.

4. Authorize state agencies responsible for different public health care programs to work together in order to achieve maximum buying power for health care program participants.

Similar Solutions Are Already Operating Successfully Abroad and in Many U.S. Markets

In the U.S., drug companies already sell prescription drugs at fair prices to many Americans. Military personnel and veterans, for example, receive drugs at reasonable prices because the Departments of Defense and Veterans Affairs – which administer the insurance programs covering these individuals – use their "large buyer" status to negotiate lower prices from drug companies.[17] Those insured through Medicaid can get drugs at fair prices because the federal government mandates it.[18] And in most other countries, negotiated prices are the norm.[19]

In other words, "large buyer" practices and negotiated prices already exist in most markets, including large segments of the U.S. market.

The only people in the industrialized world not yet protected from drug company profiteering are the 71 million Americans, including almost 1.25 million Washingtonians, without meaningful prescription drug coverage.

The Proposed Solution Could Mean A Per-Prescription Savings of up to 50 percent for Uninsured Washington Residents

An uninsured American "pays over 50 percent more than an HMO or the Medicaid program, and over twice as much as the Departments of Defense or Veterans Affairs" for the same prescription.[20] (In dollars, this means that an uninsured person will pay $100 for a drug, which, on average, "will be sold to an HMO or the Medicaid program for $65, and to the U.S. Departments of Defense or Veterans Affairs for $46."[21])

The proposed legislation will provide Washington's uninsured the market clout to bargain for reasonable prices that all other residents of the state enjoy. Consequently, uninsured residents could pay up to 50 percent less than what they currently pay for prescription drugs.

Paula Arnold
Seattle, Washington

I'm 53, but I can't work now because of nerve damage in my neck. I live off a pension of about $900 a month. I've got health coverage through the BHP [the state-subsidized health insurance plan], but it only covers half the cost of my medicines. They told me it's because they're all name brand drugs. So, I pay about $30 dollars a month for the BHP and about $160 a month for my prescriptions. My rent's $450. So there's really not much left for things like food and such.

State Legislation: A Complement to Proposed Federal Prescription Drug Reforms

There are a number of Federal proposals currently circulating which, if passed, will help mitigate the effects of drug company overcharging the uninsured elderly and working poor. Among the most promising are proposals to expand drug coverage to seniors by including a prescription drug benefit in Medicare.

It is unclear, however, if or when these proposals will become law. In the interim, it is unacceptable to tell Washington citizens that they must wait indefinitely for help and protection, when the elected officials of their own home state can meet their needs now.

Moreover, were the Federal government to one day help seniors by including a drug benefit in Medicare, the proposed state legislation would still a vital role to play in helping almost one million Washington residents under 65 without prescription drug coverage.[22]

Darla Budde
Seattle, Washington

I work at a produce stand and at a clothing store. Neither job provides insurance. In the spring, I am planning on going back to school at a community college. Between both jobs, I make no more than $1200 each month, which is just over the Medicaid cutoff. My five-year-old daughter is covered by Medicaid, but I am uninsured. It is very scary to be uninsured because I have asthma, a condition that requires maintenance as well as preventative care. In the past, I have had to go to the emergency room when I have had asthma attacks. For example, last year, I was working when the police tear-gassed people who were marching against the WTO. I was just doing my job, but I ended up in the emergency room. I ended up with a huge bill that I couldn't afford. It recently went to collections and has affected my credit. It seems like there aren't many options for me. I am stuck in this bracket: making just a little too much to qualify for assistance, but not making enough to have the security I need. It is not helping me to get on my feet.

Fiscal Analysis of the Proposed Legislation

Like every health insurance plan, administrative costs will be paid out of the rebates negotiated from drug companies. Therefore, the Prescription Drug Fair Pricing Act will impose no burdens on taxpayers. In fact, negotiating lower prices with drug companies and shopping smarter will save taxpayers millions of dollars.

Maine Takes the Lead with Bipartisan Support

In May 2000, Maine enacted the first state plan to lower drug prices for uninsured state residents. In an impressive show of bipartisan support, the Maine State Senate approved the law unanimously and the House passed it 133 to 11.[23]

Maine House GOP leader Thomas W. Murphy, Jr. said, "We hope that other states will follow our lead and that Congress will recognize this as a national problem. Independent Governor Angus King declared that the drug industry's charges that Maine was 'anti-business' were 'utter nonsense.'" He added, "I'll be surprised if many other states don't follow this lead."

In October 2000, U.S. District Judge D. Brock Hornby ruled that key parts of the Maine law were unconstitutional. The Prescription Drug Fair Pricing Act has been modified from the Maine law to overcome each of the constitutional objections raised in the case.

III. Drug Companies React with Scare Tactics, Not Facts

"Drug makers claim that they set prices to cover research costs. That is not true. They set the prices that they believe will maximize profits."

-- Professor Alan Sager,
Boston University[24]

Drug makers claim that the high prices they charge to uninsured Americans and the huge profits they receive are needed to finance future drug research.[25] They claim that, if they are forced to drop prices for this group, their ability to produce life-saving drugs will be seriously compromised.

It is in no one's interest to slow the invention of life-saving drugs. But will lowering prices for the uninsured really have this effect?

Drug company claims on this point are undermined by:

1. The inability or unwillingness of such companies to actually demonstrate – rather than simply claim – that research will be compromised.

2. The fact that the profits of drug companies have flourished, even as such companies sell mainly to markets already governed by price controls or dominated by large buyers who can negotiate fair prices.

3. The analysis by independent industry analysts demonstrating that price controls will not hurt current profit levels (and so, through profits, R&D spending).

4. The fact that R&D is the lifeblood of drug companies, and cutting spending on R&D would be suicidal for drug companies.

5. The fact that drug companies currently spend extravagantly on marketing and administration.

THE MYTH OF DRUG INNOVATION AND THE "FREE MARKET"

FICTION: According to PhRMA, the lobbying arm of the pharmaceutical industry, "The U.S. is the world leader in pharmaceutical innovation at least in part because of its (relatively) free market for pharmaceuticals."

FACT: The U.S. government heavily subsidizes research and development for U.S.-based drug companies. Much of the early basic research that can lead to drug development is funded by the National Institutes of Health. It is generally only when a drug shows promise that the drug companies become involved. In addition, the government provides the drug industry with significant tax advantages. Its research and development expenses and its marketing expenses are tax deductible. In fact, from 1993 to 1996, the industry was taxed at a rate of only 16.2% while all other U.S. industries were taxed at a rate of 27.3%. Most importantly, the U.S. government grants drug companies 17-year monopolies on their new drugs via patent protections. Once a drug is patented, no one else may sell it.

SCARE TACTICS, BUT NO EVIDENCE

Drug companies have been unable to actually demonstrate – rather than simply assert, in "Chicken Little" fashion – that research and development (R&D) will be compromised by lower prices to the uninsured.

In particular, they have been "unwilling to identify any ceiling whatsoever on their profits – the level of profit beyond which no more money is needed to finance vital research. Similarly, [they] are unwilling to identify any floor on their profits – the level of profit below which vital research would suffer."[26]

DRUG COMPANY PROFITS FLOURISH IN MARKETS WITH LARGE BUYERS AND NEGOTIATED PRICES

As discussed earlier, most drug company markets are already governed by price controls or controlled by larger buyers, which can impose lower prices on drug manufacturers. And in this context drug company profits have flourished. (See Table 3.)

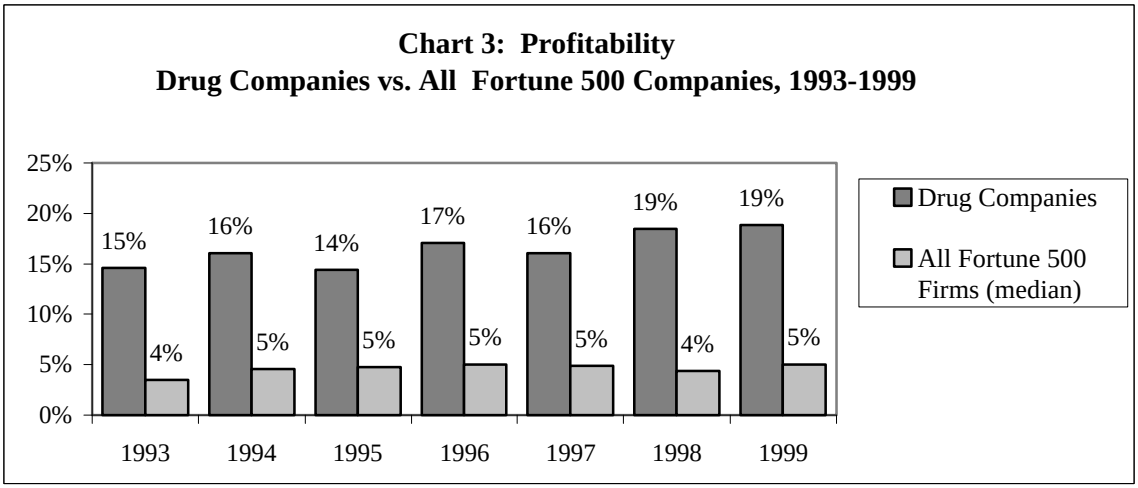
Table 3: Profits of the Top 10 Drug Companies Based in the U.S., 1999

Company	Revenues ($ millions)	Profits ($ millions)
Merck	32,714	5,891
Johnson & Johnson	27,471	4,167
Bristol-Myers Squibb	20,222	4,167
Pfizer	16,204	3,179
American Home Products	13,550	-1,227
Abbott Laboratories	13,178	2,446
Warner-Lambert	12,929	1,733
Eli Lilly	10,003	2,721
Schering-Plough	9,176	2,110
Pharmacia & Upjohn	7,253	803

Source: *Fortune Magazine*, April 2000, <www.fortune.com>.
Note: Top ten drug companies by revenue.

The size of the international market for prescription drugs was $227.6 billion in 1997.[27] And the prospects for future profits look even brighter as prescription expenditures soar. In the U.S. alone, between 1995 and 1998, prescription drug expenditures increased by nearly 50 percent,[28] and such expenditures are projected to reach approximately $243 billion in 2008.[29]

Given that drug companies get the lion's share of profits from these drug sales, it is little wonder that the industry is the most profitable in the world.[30] The drug industry's median return on revenue (its profit margin) exceeded that of all Fortune 500 firms by 3 to 4 times in the 1990s. (See Chart 3.)



Source: Fortune 500 Industry Rankings, *Fortune*, April issues, various years, as cited in "Prescription Drug Trends: A Chartbook," Henry J. Kaiser Family Foundation, Washington, DC, July 2000, p. 72.
Note: Percent is the median percent net profit after taxes as a percent of firm revenues for all firms in the industry.

■ INDEPENDENT ANALYSTS DEMONSTRATE PROPOSED SOLUTION WILL NOT HURT PROFITS

Independent industry analysts have demonstrated that lower prices will not hurt current profit levels (and, hence, R&D spending). This is because the decline in revenue due to lower prices will be made up for by an increase in volume of sales as those currently uninsured gain greater access to the market.

Merrill Lynch analysts, for example, state that even "on a worst case basis, [we] are not convinced that the impact [of reforms] will be that onerous, *and in fact under the right conditions could be neutral to slightly positive*." This is because "lower prices lead to an increase in pharmaceutical utilization" which means an increase in sales volume.[31] The Merrill Lynch analysis predicted that price reductions could increase sales 1.55%.

■ RESEARCH & DEVELOPMENT: UNLIKELY TARGETS FOR CUTS

Because patented drugs lose much of their profitability when the patent expires, companies must constantly invent new drugs to sell in order to remain profitable.[32] R&D is the process by which new drugs are invented and, hence, is the source of all future profits -- the lifeblood of drug companies.

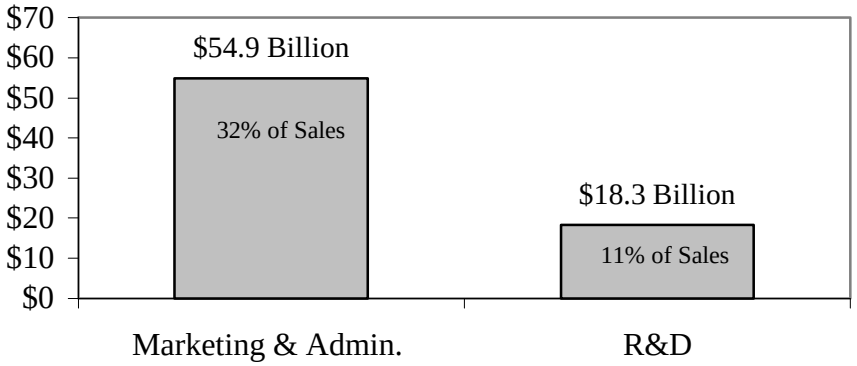
Given the importance of research and development to the profits and future viability of drug companies, it is heavily unlikely that companies would cut R&D expenditures before other expenses.

▪ DRUG COMPANIES WASTE MONEY

Speaking of other expenses, drug companies today spend extravagant amounts of money on marketing and administration.

In 1999, for example, the top ten drug companies spent nearly three times more on marketing and administration than they did on research and development.[33] (See Chart 4.)

Chart 4: Spending of Top Ten Drug Companies, Marketing vs. R&D



Source: "Playing Fair: State Action to Lower Prescription Drug Prices," Center for Policy Alternatives, Washington, D.C., June 2000, p. 5.

Included in the nearly $60 billion dollars (32 percent of sales) they spent on marketing and administration is CEO compensation. (See Table 4.)

Table 4: CEO Compensation
Top 10 Drug Companies based in the U.S., 1999

Company	CEO Compensation
Bristol-Myers Squibb	$ 44 million
Schering-Plough	$ 37 million
Pfizer	$ 35 million
Eli Lilly	$ 33 million
Johnson & Johnson	$ 33 million
Pharmacia & Upjohn	$ 15 million
Merck	$ 6 million
Abbott Laboratories	$ 6 million
American Home Products	$ 4 million
Warner-Lambert	$ 2 million
TOTAL	**$215 million**

Source: Top 10 companies as determined by revenues. CEO compensation provided by Center for Comprehensive Corporate Research, December 2000.

Also included in this figure is compensation to a veritable army of sales people. The pharmaceutical industry has 70,000 sales representatives covering 756,000 physicians, a ratio of almost one salesperson to every ten doctors.[34]

In a one-year period, leading drug companies spent nearly $34 million on television, radio and print ads in an effort to defeat proposals that would address the excessive prices they charge uninsured Americans for prescription drugs.[35] Their main tactic seems to be to attempt to scare Americans with the false specter of slow-downs in research and development. Yet, as independent analysts like Merrill Lynch have demonstrated, neither hefty profits or break-through drug innovation actually depends on drug companies continuing the practice of price gauging the uninsured.

IV. Conclusion

Like other uninsured Americans, Washington residents without prescription drug insurance pay exorbitant prices for prescription drugs. Excessive drug prices threaten the health and safety of 1.25 million residents — 1 in 5 Washingtonians — by denying them access to medically necessary health care.

Meanwhile, drug profits continue to soar, making the pharmaceutical industry the most profitable in the world.

We need to take action now to find and implement real solutions to force down the costs of prescription drugs in our state.

The legislation proposed by Washington Citizen Action (WCA) — the Prescription Drug Fair Pricing Act — will reduce costs by pooling the purchasing power of the nearly 1.25 million Washington residents currently without meaningful prescription drug coverage. The legislation could reduce the cost of drugs by up to 50% per prescription for uninsured Washington residents.

The Fair Pricing Act will impose no burden on taxpayers and, despite industry claims, will have a negligible impact on profits and research and development. In fact, an independent analysis by Merrill Lynch suggested that if prescription drug prices are reduced, profits may actually marginally increase, as millions of consumers currently priced out of the market begin to purchase prescription drugs.

It is time for Washington legislators to address the issue of excessive pricing of prescription drugs, so that all of Washington's residents have access to the health care they need and deserve.

V. Endnotes

[1] Irene Hull's story and those of all other consumers in this report were collected in interviews between November and December, 2000, by Kate Maher of Washington Citizen Action (WCA).
[2] "Playing Fair: State Action to Lower Prescription Drug Prices," Center for Policy Alternatives, Washington, D.C., June 2000, p. 2.
[3] "Prescription Drug Trends: A Chartbook," The Henry J. Kaiser Family Foundation, Washington, D.C., July 2000, p. 13.
[4] Washington data are from Alan Sager and Deborah Socolar, "A Prescription Drug Treaty: Cutting Prices to Make Prescription Drugs Affordable for All and To Protect Research," School of Public Health, Boston University, Boston, MA, October 2000, p. 9. U.S. data are from "Prescription Drug Trends: A Chartbook," The Henry J. Kaiser Family Foundation, Washington, D.C., July 2000, and are for 1996. According to the Center for Policy Alternatives, 64.7 million of these 71 million Americans have no drug coverage whatsoever. The remainder have prescription drug coverage which is wholly inadequate. Among these 71 million Americans, almost 12 million are children and 18 million are seniors.
[5] Professor Alan Sager, "Winning Affordable Medications for All Americans: The Easiest Problem to Solve in the United States," Testimony before the Subcommittee on Health of the Committee on Ways and Means, United States House of Representatives, February 15, 2000, p. 1, <www.house.gov/ways_means/health/106cong/2-15-00/2-15sage.htm>.
[6] "Playing Fair," June 2000, p. 2.
[7] "A Medicare Drug Benefit May Not Be So Bad," Merrill Lynch, June 23, 1999, p. 19.
[8] *Fortune Magazine*, April 2000, <www.fortune.com>.
[9] "Still Rising: Drug Price Increases for Seniors, 1999-2000" Families USA, April 2000, <www.familiesusa.org/pubs/pdrug.pdf>
[10] $9.96 is what a privately insured person would typically pay, as a co-pay, for brand name prescription drug. It is an average HMO co-payment for a brand name drug covered by a formulary. (The price for a generic drug would be less.) The $30.76 is what an uninsured individual would pay out-of-pocket for a prescription drug. This is the average retail price (brand name and generic drug combined) for a "cash" prescription in 1997. Co-payment data is from Novartis Pharmaceuticals Corp., *Novartis Pharmacy Benefit Report: Facts & Figures 1998 Edition*, 1998, as cited in "Prescription Drug Trends: A Chartbook." The prescription price for the uninsured is from the National Association of Chain Drug Stores (NACDS), *The Chain Pharmacy Industry Profile*, 1999, as cited in "Prescription Drug Trends: A Chartbook."
[11] Other sources provide somewhat different estimates for these differences. The drug industry's lobbying association, PhRMA, asserts that private insurance companies pay drug prices that are 30% to 39% lower than prices charged to individual Americans without prescription drug insurance. The U.S. Department of Health and Human Services estimates that, on average, HMOs pay 35% less for drugs than uninsured individuals. "Playing Fair," June 2000, p. 1, 7.
[12] "Prescription Drug Trends: A Chartbook," July 2000, p. 31.
[13] Ibid, p. 35.
[14] "Playing Fair," June 2000, p. 4.
[15] "Prescription Drug Trends: A Chartbook," July 2000, p. 38.
[16] Ibid, p. 20.
[17] Ibid, p. 93.
[18] The Omnibus Budget Reconciliation Action of 1990 requires pharmaceutical companies to give a rebate to HCFA for distribution to the states for all drugs covered under state Medicaid programs. "Prescription Drug Trends: A Chartbook," July 2000, p. 93.
[19] Ibid, p. 27.
[20] "Playing Fair," June 2000, p. 1. PhARMA, the lobbying arm of the drug industry, estimates that "If uninsured Americans had access to private market discounts, the medicines they need, on average, would cost 30% or 39% less."
[21] Ibid, p. 1.
[22] Alan Sager and Deborah Socolar, "A Prescription Drug Treaty: Cutting Prices to Make Prescription Drugs Affordable for All and To Protect Research," School of Public Health, Boston University, Boston, MA, October 2000, p. 9.

[23] Ibid, p. 4.
[24] Sager, February 15, 2000, p. 3.
[25] "Price controls won't work ….They discourage private investment required to fund drug research and development." Ruth Scott, President of the Washington Biotechnology & Biomedical Association, as quoted in Scott Sunde, "Regulate Prescription Costs, Say Coalition," *Seattle Post-Intelligencer*, June 21, 2000.
[26] Sager, February 15, 2000, p. 3.
[27] "International market" equals the 10 countries with the largest markets, measured by dollar volume in revenues. "Market size" equals sales of prescription drugs to retail pharmacies by wholesalers and manufacturers. Data is from IMS Health Inc., *The Pharmaceutical Market World Review* 1998, IMS Health web site: www.ims-global.com, November 1999, as cited in "Prescription Drug Trends: A Chartbook," July 2000, p. 28.
[28] "Prescription Drug Trends: A Chartbook," July 2000, p. 20.
[29] Ibid.
[30] *Fortune Magazine*, April 2000, as cited in "Playing Fair," June 2000, p. 5.
[31] "A Medicare Drug Benefit May Not Be So Bad," Merrill Lynch, June 23, 1999, p.21, 22, emphasis added. This analysis is based on an analysis of possible price reductions for Medicare beneficiaries with prescription drug coverage. There is no reason to believe, however, that the outcome would differ were the analysis applied to all individuals without prescription drug coverage.
[32] "Prescription Drug Trends: A Chartbook," July 2000, p. 48.
[33] "Playing Fair," June 2000, p. 5.
[34] Ibid.
[35] *The News Tribune*, July 24, 2000.

Appendix: Prescription for Action Coalition

Consumers, labor, community, health care providers, faith-based organizations and seniors have come together to kick off a Washington state campaign to lower prescription drug prices. Following are organizations that have signed on to the "Prescription for Action" as of January, 2001.

The Washington Senior Lobby
Puget Sound Council of Senior Citizens
Washington Citizen Action
AARP
Washington State Labor Council
SEIU 1199NW, Hospital & Health Care Workers
Washington Academy of Family Physicians
WashPIRG
Coalition for a Jewish Voice
Northwest Health Law Advocates
The Gray Panthers of Seattle
Washington State Nurses Association
Washington Association of Churches
Jobs with Justice
Just Health Care Coalition
Children's Alliance
Group Health Senior Caucus
International Federation of Professional & Technical Engineers, Local 17
Service Employees International Union, SEIU
Washington State Chapter of the National Association of Social Workers

For more information about the Coalition, contact:
Barbara Flye, Washington Citizen Action (206) 389-0050, xt.109
Will Parry, Puget Sound Council of Senior Citizens (206) 448-9646
Robby Stern, Washington State Labor Council (206) 281-8901

Organizations Releasing This Report

Washington Citizen Action (WCA) is a social and economic justice organization with over 50,000 individual members statewide. In addition to its dynamic grassroots membership, WCA also includes permanent coalition partners from other community organizations, labor, senior, religious and people of color organizations. WCA has both a legislative and non-legislative issue agenda that focuses on increasing access to health care and living wage jobs.

The Northwest Federation of Community Organizations (NWFCO) is a regional network of statewide citizen action organizations. Established in 1993, NWFCO is currently comprised of five member organizations: Idaho Community Action Network (ICAN), Montana People's Action (MPA), Oregon Action (OA), Washington Citizen Action (WCA), and the Coalition of Montanans Concerned with Disabilities (CMCD). Together, these groups have over 65 years of experience organizing low- and moderate-income people, and each group is the pre-eminent voice of lower-income families in its state. NWFCO's mission is to build strong state affiliate organizations and to execute regional campaigns that address economic inequities.

For more information, contact:

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