Democrats accuse drug firms of gouging

By STEVE CAMPBELL, Staff Writer

WASHINGTON — A new study by Democratic researchers accuses drug companies of charging higher prices for medicines that are sold for human use than for the same medicines when they are destined for treatment of animals.

Rep. Tom Allen, who asked that the study be conducted, said it proves that the drug manufacturers "are engaged in systematic price discrimination that adversely affects millions" of consumers.

In one instance, the study, which will be released Monday, alleges that one drug company sells a one-month supply of arthritis medicine Lodine for $108.90 to treat humans. But the same amount of the same drug sold to treat arthritis in dogs costs about $37.80, the study says.

"It is pathetic," Allen said. "We want dogs, cats and horses to have medicine. But the companies should not be taking advantage of seniors. And the reason why they're doing it is clear: Seniors have no bargaining power. They have no leverage."

Drug companies and some economists contend that Allen's study is unfair. They say it costs a lot more to develop and manufacture drugs for humans than for animals.

"You can't compare the two, and it would be irresponsible to do so," said Jackie Cottrell, a spokeswoman for a trade
group that represents the drug companies, the
Pharmaceutical Research and Manufacturers of America.

Cottrell charges that Allen commissioned this study — and
two previous drug studies — "because that's what Tom
Allen is basing his political career on right now."

"This is an extreme political stunt that shows the incredible
depths and absurdity of Congressman Allen's efforts to
demonize the pharmaceutical industry for his own personal
political gain," Cottrell said.

Allen shrugged off the criticism, saying that he was only
trying to "help the seniors in my district and the seniors
across the country."

"(The drug companies) are more concerned with protecting
their profits than solving problems," the two-term
Democratic congressmen said.

The release of Monday's study is expected to add fuel to a
growing debate in Washington over what, if anything, the
government should do to make prescription drugs more
affordable for senior citizens.

President Clinton and congressional Democrats are trying to
put pressure on Republicans to vote on a prescription drug
plan. But others have accused the Democrats of using the
issue to win elections next year.

"There's no question that both sides want to use this issue as
a political weapon in the next election rather than taking
legislative action here and now," Sen. Olympia Snowe said
in a recent interview. "And I think that's irresponsible."

Snowe has introduced legislation that would provide federal
subsidies to help senior citizens buy prescription drugs in
the private sector.

Allen has introduced a plan that would require drug
companies to sell medicines to pharmacies at discounted
rates already offered to the government and other favored
buyers.

And Clinton has proposed that drug benefits be provided to
senior citizens under Medicare, the federal health program
for the elderly, which currently doesn't pay for prescription
drugs. Allen and Maine's other Democratic congressman,
John Baldacci, support Clinton's plan.
About 37 percent of senior citizens don't have any prescription drug coverage. Others are covered through retirement plans, through self-financed coverage, or through federal programs such as the Veterans Administration or Medicaid, a government program for the poor.

Over the last 18 months, staff members working for the House Government Reform Committee conducted three studies at Allen's request to examine the high cost of prescription drugs.

The first revealed that drug companies sell drugs at much lower rates to HMOs and the federal government than to pharmacies. The second found that some drugs cost far less in Canada and Mexico than the same drugs bought in the United States.

In the latest study, the Democratic staffers compared the prices charged by drug companies for drugs sold for human use and animal use.

They analyzed drugs that were approved for both human and animal use were dispensed to humans and animals in both the same form and same dosage, and were manufactured for human and animal use by the same or related companies. Eight drugs met these criteria.

The researchers found that "drug manufacturers charge substantially more" for drugs when used by humans than when used by animals, according to a copy of the report released to The Maine Sunday Telegram.

For example, a drug called Vasotec is used to treat high blood pressure in humans and heart failure in dogs. The drug is made by the same company and dispensed in the same dosage. The company charges $78.55 for a one-month supply when used by humans, and $51.30 when the drug is used by dogs, according to the report.

The figures are based on what the drug companies charge the wholesaler.

Other "directly comparable" drugs cited in the report include:

- Robaxin, a pain reliever for humans and dogs and cats, $15 a month for animals, $31.20 for humans.
• Medrol, which is used to treat arthritis, allergies and asthma in humans and is an anti-inflammatory medication in dogs and cats, $3.90 a month for animals, $20.10 for humans.

• Robinul, which is used to treat peptic ulcers in humans and is a pre-anesthetic agent for use on dogs and cats, $29.40 for animals, $31.80 for humans.

One of the eight "directly comparable" drugs was cheaper for humans than animals. It's called Fulvicin, which is an anti-fungal medication approved for treatment in humans, dogs and cats. That drug cost $36.60 a month for humans, and $54.60 for animal use.

The trade association that represents the drug companies declined to comment on the findings, because staff members hadn't seen a full copy of the study. However, some economists and other experts argue that it's not fair to compare drugs manufactured for humans and animals, because it costs a lot more to research, develop and produce drugs for humans.

Most drugs are developed for human use first, so the research and development process is longer and more expensive, according to Niall Finnegan, director of government relations for the American Veterinary Medical Association, which represents veterinarians.

"If in the course of development, substantial animal benefits are discovered, then the drug may be further developed for animal use, piggy-backing on the work already done for the human drug," Finnegan said.

"This significantly reduces the sunken costs in the development of a veterinary drug and therefore allows it to be sold for less."

An economist at Boston University, Iain Cockburn, agrees. "I don't think the same very strict manufacturing quality control is going to be placed on the animal stuff as the human stuff. The (Food and Drug Administration) is extremely strict," said Cockburn, who has conducted studies of drug prices, some of which have been funded by drug companies.

However, another analyst from Boston University disagrees that research and production costs contribute to increased prices for drugs used by humans.
"FDA regulations dictate that the production process for animal products meet the same 'good manufacturing practices' as the production process for human products," said Alan Sager, a professor at Boston University's School of Public Health.

Sager, who provided advice to the House Democrats on their study, doesn't buy the argument that "research costs" play a major role. Some drugs cited in the Democratic study have been on the market for years, so the companies should have recovered their research investments a long time ago, he said.

However, Cockburn and Sager agree that market demand is a factor in pricing. In other words, drug companies charge more for drugs for human use because the demand is higher and people, insurance companies and the federal government are willing to pay the price. That's less true with drugs used on animals.

"Manufacturers do not set their prices based on the recovery of their costs. Instead they set their prices as high as possible in order to maximize revenue and profit," Sager said.

Cockburn said demand is a factor with drugs, as it is with any product. "Should a cup of Starbucks coffee in New York be the same as it is in Des Moines" since the cost to Starbucks to buy the coffee is the same, said Cockburn.

"I bet it's not priced the same. You wouldn't necessarily expect them to sell at the same prices because these are different markets."

"(Companies) are in business to make money, to support the huge research and development spending, so they will charge what the market will bear," Cockburn said.

Allen said that's his point. "What this report is saying is that if you stop the price discrimination, then their prices (for drugs) would drop significantly."

Cockburn said much has been made of drug prices, when in fact they represent "a tiny share of total health care expenditures."

"The pharmaceutical companies are an easy target. They're a faceless target. The successful ones make a lot of money," he said.
Allen said he intends to continue focusing on the issue because senior citizens in southern Maine have told him about their struggles to pay for drugs.

"This is a real problem, and a real problem people struggle with every day. And we're going to keep driving this issue to a level where Congress has to act," he said.