Drug maker promotes generics for workers

Novartis draws fire on cost-cutting bid

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BY ED SILVERMAN
Star-Ledger Staff

It's not unusual for a major corporation to push employees to use more generic drugs to help lower health-care costs.

Unless the company is a big drug maker.

In a memo to employees last month, Novartis Pharmaceuticals urged workers to choose more generics and over-the-counter medications, and also purchase more medicines through mail order to "control the escalation of costs."

"Every major company in the U.S. has felt these increases (in health care) and, as a result, many corporations are reducing or restricting their benefits coverage for employees," wrote Paulo Costa, chief executive of the East Hanover-based company. A copy of the Sept. 21 memo was obtained by The Star-Ledger.

The effort by Novartis comes at a delicate time for the pharmaceutical industry, which is under attack for the rising cost of prescription medicines. Drug makers maintain that current pricing is needed to support the expense of researching and developing new drugs.

But critics said the cost-cutting move by Novartis undermines the industry's position. As they see it, the company is conceding that prescription-drug costs are rising so rapidly that even a large drug maker can't afford to cover costs for its own employees.

"This is very hypocritical," said Jerry Flanagan, health-care policy director for the Foundation for Taxpayers & Citizens, a nonprofit group that earlier this week chartered a train that took seniors from along the East Coast to Canada to buy drugs. "This is a well-deserved dose of their own medicine."

Said Alan Sager, the director of the Health Reform Program at Boston University: "They've become a victim of their own success. And it appears that when the bottom line is involved, a drug maker can be as rational as anyone else."

Others pointed to the irony of a brand-name drug maker encouraging its employees to use generic drugs. For several years, many drug makers have fought lengthy court battles to prevent lower-cost generic medicines from reaching pharmacy shelves.

However, Novartis spokesman Bob Laverty noted that the company owns Sandoz, a generic drug maker. He added that "encouraging our employees to be more aware of rising health-care costs and ways they can play a bigger role in helping to control these costs is smart."

The Novartis memo said that employee use of generics and other cost-saving options is "significantly below the norm."
Nonetheless, one industry supporter said the move sends the wrong signal. In his view, Novartis is failing to bolster a long-standing industry position that brand-name drugs represent the best science and, therefore, sound medicine.

"They're not upholding their credo," said Robert Goldberg, director of the Center for Medical Progress at The Manhattan Institute, a libertarian think tank. "They've got to show they really believe in the science of the drugs they develop."

There's little debate that prices for many prescription drugs are rising. A survey by FamiliesUSA, a consumer-advocacy group, found that prices, on average, for the 30 medicines most frequently dispensed to seniors rose 4.3 times faster than inflation last year.

Boston University's Sager pointed out that spending on prescription drugs doubled recently to $250 billion, from $125 billion in 1999. This includes expenditures by insurers, hospitals, nursing homes and uninsured individuals.

In response, seniors are flocking to Canada and the Internet in search of better deals. Legislation is pending in Congress to permit so-called reimportation of drugs from Canada. Several cities and states, meanwhile, are creating reimportation programs.

It's not clear how much Novartis hopes to save by promoting the use of generics by employees. The memo noted more than $100 million is spent on annual benefits. Novartis and Sandoz drugs -- their brands include Lamisil, Ritalin and Diovan -- will remain free to employees, and co-pays and deductibles won't change.

"It could be a smart move," said Steve Findlay, a health-care analyst at Consumers Union. "They could save millions of dollars. I'd like to see the calculations."

Among other big drug makers, a Merck spokesman said employees are encouraged to seek lower-cost generics. A Pfizer spokesman said the company plan doesn't differentiate between brand-name and generic drugs. Spokespeople for Wyeth, Schering-Plough, Johnson & Johnson and GlaxoSmithKline said employees are free to choose.

*Ed Silverman can be reached at esilverman@starledger.com or (973) 392-1542.*

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