Higher volume called key to holding down drug prices

By STEVE LERLANC
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BOSTON — Drug makers could drop prices for prescription drugs up to 40 percent and still not lose money by boosting production to fill the nation's unmet demands, according to a new report by a Boston University professor.

"We have a choice. People can suffer and die. We can spend more. Or we can get all the medications we need for the $146 billion we are already spending on prescriptions," said Alan Sager, a professor of health services at BU's School of Public Health.

A drug company spokesman called the plan risky, saying part of the reason prices are so high is the millions spent to research and develop new drugs.

Sager presented his report yesterday at a meeting of the American Public Health Association at the Hynes Convention Center in Boston.

The key to Sager's plan is volume.

By increasing production, drug manufacturers could make the same profits while providing medications to all Americans who need them — even the 25 percent without drug coverage, Sager said.

"There will be a huge rise in demand when you cut prices," he said.

The drug makers could save another $27 billion each year by trimming marketing, advertising and "copycat research" — research designed to create new drugs only slightly different from existing popular drugs.

There is no guarantee Sager's plan would work, said Jeff Trehwitt, spokesman for the Pharmaceutical Research and Manufacturers of America.

"Biomedical research has a very high failure rate. You never know when you start a new research project how much it is going to cost in research and development," he said.

Companies spend an average of $500 million to develop a single new drug, Trehwitt said. The cost of research has escalated from $2 billion in 1980 to $26.5 billion in 2000, he said.

Earlier this year, Sager urged leaders of six New England states and New York and Pennsylvania to consider banding together and buying drugs in bulk to force down prices.

Trehwitt said the plan would be a dangerous precedent.

"The last thing we need is a patchwork quilt of differing and conflicting state laws," he said.

"This is a national problem that needs a national solution."

A small group of protesters gathered outside the Hynes Convention Center yesterday to call for lower drug prices.

Maine state Sen. Chellie Pingree said the United States should take a cue from Canada, which sets prices for most prescriptions. Pingree said she rode a bus to Canada with 25 senior citizens, who saved $10,000 on their medications.

"The Canadian government does what we should do. They take the responsibility to negotiate for their citizens," said Pingree, who authored a Maine law aimed at reducing drug prices. The law is being challenged in court by drug companies.

Frederick Mayer, president of Pharmacists Planning Service Inc., a national organization of pharmacists, said he has seen elderly customers trying to choose between food or drugs.

"Sometimes they argue with themselves or their husbands or wives. Should we pay the rent? Should we buy food? Or should we get the heart medicine?" Mayer told a crowd of about 25 protesters.

Trehwitt said the solution is to offer expanded coverage under an improved Medicare program.

The protests come just a week after Massachusetts voters rejected a ballot question that would have mandated a patients' bill of rights and created a special commission to draft a plan for universal health care.

The insurance industry spent about $4.8 million to defeat the measure. Supporters spent less than $100,000.