House approves Medicare drug bill
The measure would require the government to bargain with firms for the best prices.
By Chris Mondics and Thomas Ginsberg
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WASHINGTON - Saying they would lower drug costs for seniors, House Democrats on Friday passed a bill that would require the government to negotiate with drug firms for medicines bought through the Medicare prescription-drug program.

If enacted, the bill would mark the first major revision to the Medicare drug program passed in late 2003. But the measure, which passed by a vote of 255-170, faces huge hurdles, with the White House and key senators expressing disapproval. "If this bill is presented to the president, he will veto it," White House press secretary Tony Snow said Friday.

Democrats were undeterred, insisting that the government would save money by negotiating directly with the industry. "Today's vote is a resounding victory for America's seniors over the special interests," House Speaker Nancy Pelosi said. "As pharmaceutical companies reap record profits, it is clear that the president's flawed prescription-drug plan is benefiting drug companies more than American seniors."

Republicans called the measure a political ploy, contending there was little likelihood it will become law. "It probably will never get out of the Senate, so maybe this is all just a political exercise," Rep. Joe Barton (R., Texas) said during the floor debate. "If there really is something wrong with [Medicare], let's fix it. But if it is not broke, then don't fix it."

Officials at AstraZeneca PLC, which has a U.S. base in the Wilmington area and several drugs widely used by Medicare recipients, said that the current system worked and that the new pricing bill went in the wrong direction. "This could be the beginning of a glide path toward restricting access for patients who are most in need," said Chester Davis, the firm's vice president of corporate external relations.

Over intense Democratic opposition, House Republicans pushed through legislation in late 2003 committing the government to pay a large portion of prescription-drug costs for seniors and the disabled, starting in January 2006. Dozens of insurers now compete for government contracts to provide the benefit, then negotiate with drug firms over price.

Democrats say the federal government could use its muscle to lower drug prices.
The bill would require Health and Human Services Secretary Michael Leavitt to negotiate directly with companies for drugs offered through the program.

But there is some debate whether prices would plummet. A Congressional Budget Office report last week concluded that the measure probably would not work better than the current system because it bars the government from establishing a so-called formulary, a list of approved drugs. If it cannot choose among medications, the government would lack bargaining power, the CBO said.

Some analysts doubt whether Leavitt's agency has the expertise to negotiate prices for thousands of drugs.

But the government might be able to finesse these obstacles. Jack Caffee, a health economist with the American Enterprise Institute, said the government could pressure industry by creating a list of preferred medications with prices deemed favorable by the government. All drugs would still be offered under the program, but consumers would face more bureaucratic obstacles and pay more to go off the list, putting price pressure on the drug firms.

The House measure passed Friday also has energized a background debate over whether lower prices would restrict research and development.

Benjamin Zycher, a senior fellow at the Manhattan Institute, predicted federally negotiated price cuts would hurt the firms' research budgets, leading to fewer new drugs.

At least one drug firm with operations in the Philadelphia suburbs struck a milder tone, perhaps reflecting the new political reality in Washington. Ian D. Spatz, vice president of public policy at Merck Co. Inc., said bruising political battles had led the industry to paint a false dire picture of drug research.

"At times the pharmaceutical industry has said the sky will fall," Spatz said. "That's not the case. But there could be less research and different kinds of research."

Alan Sager, a health-policy professor at the Boston University School of Public Health and a longtime industry critic, went further, arguing that industry defenders were saying: "If you don't pay the highest prices in the world for medicine, we won't do research, and you'll die."

"They're not doing much innovative research now," Sager said. "So they cannot claim that high prices finance high innovation."

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