To the Point, copyright 1999 by Apple Pie Alliance and Senator John Marty

To the Point!

New Study Confirms Drug Price Discrimination

July 30, 1999  Senator John Marty

Many Americans cannot afford the medicine they need to live. In fighting for the Prescription Fair Competition Act, I heard testimony about a man taking only 1/3 of his prescribed doses of heart medication because he couldn’t afford refills, and seniors who talked about difficult choices between buying food or costly medication. One man had to divorce his wife in order for her to obtain assistance buying prescriptions that he could not afford.

Not only were these people living on low incomes with serious illnesses requiring more medication, but they were also forced to pay much higher prices. Through a complex kickback arrangement, drug companies get rich with a price discrimination scheme that hits hardest on those least able to pay.

I know seniors who took buses to Canada for drug savings, even with travel expenses. Something is wrong when people need to go to Canada or Mexico to get a fair price, yet many politicians refuse to acknowledge this scandal.

This week, a new study by Boston University researcher Dr. Alan Sager confirms price discrimination by drug manufacturers. The July 27 report shows that Americans pay 32% more than Canadians for the same drugs, with even greater discrimination elsewhere -- a 1992 federal study showed that drug manufacturers charge wholesalers 60 percent more in America than in the United Kingdom!

This price discrimination is multiplied for many American consumers, including seniors and the uninsured, who are excluded from the manufacturers' kickback system.

"There is no free market for prescription drugs," according to the Sager report, allowing manufacturers to boost prices. Dr. Sager reports that pharmaceuticals were the most profitable industry -- with an incredible 39.4% return on equity in 1998 -- more than double the average of all other industries.
Drug manufacturers claim high prices fund research. But the Sager report dismissed that excuse, pointing out that in 1997, Merck and Pfizer (two pharmaceutical giants) averaged only 11% of revenue in research and development. In contrast, they spent 29% for marketing and administration and 19% was profit.

Many seniors cannot afford essential medications, yet ten top drug CEOs received compensation averaging $22.9 million each.

Dr. Sager attributes government inaction over discriminatory pricing to the political clout and campaign contributions of the drug manufacturers. That conclusion is not a surprise to Minnesota seniors who saw the powerful drug lobby defeat legislation that required nothing more than disclosure of kickbacks.

The Sager report concludes that we could have affordable drugs for all Americans and no loss of money for research, yet still leave pharmaceuticals with the highest profits of any industry.

Drug price discrimination should offend everyone's sense of fairness. For those who are forced to choose between buying food and medications, it can be a matter of life or death.

(Editor's note: The study, "Affordable Medications for Americans -- Problem, Causes, and Solutions, was published by Alan Sager, Ph.D. and Deborah Socolar, M.P.H., of the Access and Affordability Monitoring Project at the Boston University School of Public Health, 715 Albany Street, Boston, Massachusetts 02118 (617) 638 - 5042 fax (617) 638 - 5374.)

Permission to quote or reprint material from To the Point! is granted if the author is credited.

Copyright © 1999, Apple Pie Alliance.