Proposal calls for state to negotiate prescription prices

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A bill that would empower state government to negotiate with pharmaceutical companies over the price of prescriptions would save people money and raise $300 million for a fund to buy drugs for those who can’t afford them, a study says.

“The discounts would mean lower prices for most Massachusetts purchasers,” said Alan Sager, a health care economist at Boston University.

The bill, the subject of a legislative hearing today, would require drug manufacturers to give discounts of up to 20 percent on nearly all drugs sold in the state. It would also require manufacturers to give additional rebates that would go into a special trust fund to buy drugs for those who can’t afford them.

“As a result, other state revenues would not be required and coverage could be expanded without increasing total spending on prescription drugs,” said the study by Sager and Deborah Socollar.

He said the drug makers would get 74 percent of their rebate money back because they would be able to sell more drugs as a result of the program.

Sager said the plan would not change how residents get their prescriptions.

“It would not change the current distribution of prescription drugs,” he said. “It would not interfere with physician and patient decisions about which drugs are appropriate for each patient to use.”

Sager said such a plan is needed because between 800,000 and 1 million Massachusetts residents lack prescription drug coverage — and the number is growing.

“The recent decision by Massachusetts HMOs to cease offering policies to Medicare recipients that provided unlimited prescription drug coverage is one indication of the way the wind is blow-

ing,” he said.

His study says Americans will spend about $87 billion — about $320 per person — on prescription drugs this year. In Massachusetts, it is estimated that residents spend $2.5 billion — or $404 per person.

Drug makers said they will oppose the bill because it would hurt their industry.

“Profits vary from company to company, it’s volatile and it’s driven by uncertain factors,” said Jeff Tewhitt, spokesman for Pharmaceutical Research and Manufacturers of America.

“When you have a drug that finally gets approval from the Federal Drug Administration after so many failures, it’s important to get a certain return because there were so many failures.”

Only one of every five drugs tested on humans makes it to the market, he said.

“Any move by the state or the national government to put on price controls has had a terrible dampening effect on research and development and investment capital,” said Stephen Mulloney, Massachusetts Biotechnology Council spokesman. “It’s tough enough right now without this price control environment.”

But Sager said other industrialized nations negotiate prices with drug makers.

“We’re subsidizing the starving Swiss,” he said. “We’re the world’s shock absorber. We’re paying through the nose, but many of us cannot afford it.”

There have been a number of proposed solutions to the prescription drug crisis aired this year, and most of them call for the state to pick up more of the costs for the needy and elderly.

But Rep. Patricia Jehlen (D-Somerville) sponsor of the bill to have the state negotiate drug prices, said the state can’t keep buying drugs for those who can’t afford them.

The hearing, before the health care committee, is set for noon in State House Room A-1.