

U.S. Senator Tim Johnson
Talks Candidly About
The Bitter Pill

A New Look at Remedies that Make Prescription Drugs Affordable to the Americans Who Need Them

Americans Subsidize the World...

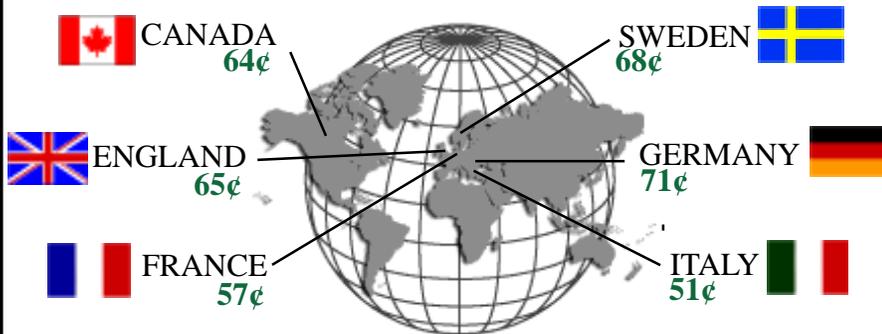
One Pill at a Time

It's expensive to be an American these days. Americans pay the highest prices in the world for our prescription medication, allowing pharmaceutical manufacturers to sell the same drugs to people in foreign countries at much cheaper prices while still maintaining their huge profit margins.

Consider how drug prices charged to Americans differ from the drug prices paid by people living in other areas of the world:

How Much More Do We Pay?

If Americans pay an average of \$1.00 for a pharmaceutical product, that same product would have a much lower average cost in other industrialized nations.



Source: PRIME Institute, College of Pharmacy, University of Minnesota
Note: Prices are converted to U.S. currency for comparison purposes.

This amounts to price-gouging of Americans simply because they are Americans. *It's wrong, and it has to stop.*

That's why Senator Tim Johnson has joined his colleagues, Senators Dorgan, Snowe and Wellstone, in sponsoring S.1191, the International Prescription Drug Parity Act. This important legislation would help to lower prices for U.S. consumers by allowing pharmacies to reimport medication approved by the Food and Drug Administration (FDA) from foreign distributors, then pass the savings along to consumers. Only drugs which have already been approved by the FDA for use in the United States and are manufactured in FDA-inspected factories could be imported, and importers and manufacturers will have to meet strict legal requirements so that any drug proposed for import can be traced to its original source before it is brought into the United States.

"Americans realize that we need to pay our fair share for the pharmaceutical drugs we need," said Senator Tim Johnson. "However, we shouldn't be charged more than people in other countries just because we are Americans. This legislation will stand up for the American consumer by allowing Americans to buy American-made pharmaceutical products from American companies without paying the exorbitant 'American surcharge' pharmaceutical companies expect Americans to pay above and beyond the prices they charge people living in foreign countries.

"International Prescription Drug Parity Act"

Bill Number: S.1191

Sponsors: U.S. Senator Tim Johnson, along with Senators Dorgan, Wellstone and Snowe.

Status: Referred to the Senate Committee on Health, Education, Labor and Pensions.

Major Provisions:

- Allows American pharmacists and distributors to import prescription drugs approved by the Food and Drug Administration (FDA) into the United States and sell them at more affordable prices.
- Only drugs already been approved by the FDA and are manufactured in FDA-inspected factories could be imported.
- Prescription drug importers and manufacturers must maintain complete records so that drugs proposed for import are traceable to their original source.

What's Your Experience?

If you or a loved one have experienced the negative effects of prescription drug pricing schemes, please contact Senator Johnson's office and share your story. You can call his office toll-free from anywhere in South Dakota at:

1-800-537-0025

If you prefer, you can write to him at the following address:

U.S. Senator Tim Johnson

324 Hart Senate Building
Washington, DC 20510

e-mail: tim@johnson.senate.gov

After completing the information on this postcard, please remember to:

1. Separate this postcard from the newsletter by cutting along the dashed lines.
2. Print your return address in the space provided.
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Washington, DC 20510

Two Great Ways You Can Help!

Right now, there are two important things you can do to help Senator Johnson in his fight to make prescription drug prices affordable for senior citizens and other Medicare beneficiaries.

First, please take a moment to complete the attached postcard and return it to Senator Johnson. Let him know you want to be included as a Citizen Cosponsor of his legislation to prevent pharmaceutical companies from discriminating against senior citizens and other people who pay for their own medication.

Second, if you or a loved one have experienced the negative effects of prescription drug price discrimination, please take a moment to contact Senator Johnson's office, either by telephone or in writing, to share your story. Senator Johnson's offices are located at the following addresses:

U.S. Senator Tim Johnson
324 Hart Senate Building
Washington, DC 20510

U.S. Senator Tim Johnson
320 S. 1st St., Suite 103
P.O. Box 1554
Aberdeen, SD 57402

U.S. Senator Tim Johnson
405 East Omaha St., Suite D
PO Box 1098
Rapid City, SD 57709

U.S. Senator Tim Johnson
715 S. Minnesota Ave.
P.O. Box 1424
Sioux Falls, SD 57101

Or call toll-free from anywhere in South Dakota:

1-800-537-0025

e-mail:

tim@johnson.senate.gov

Johnson Continues Fight for South Dakota Seniors

Pills and Bills. Together, they're a never-ending cycle for many senior citizens. Studies have shown that the average senior citizen takes more than four prescription drugs per day and fills an average of 18 prescriptions per year.

Meanwhile, drug costs have skyrocketed in recent years. They increased an estimated 17% last year alone. Prescription drugs are now the largest single source of out-of-pocket health costs paid by the elderly.

Last March, Senator Johnson introduced the "Prescription Drug Fairness for Seniors Act of 1999." Since its introduction, the bill has received eleven cosponsors and has been endorsed by more than 30 national organizations with a combined membership of more than 100 million Americans.

Johnson's bill would allow pharmacies to purchase their drugs at the same prices pharmaceutical companies charge their "preferred" customers -- HMOs, large insurance companies and the federal government. The pharmacies could then pass along those savings to Medicare beneficiaries. Johnson's bill will not create a new bureaucracy, will be at no cost to the taxpayer, will not increase insurance premiums and will enhance competition by providing pharmacies with access to discounts.

"Since I introduced this legislation, I have been contacted by hundreds of South Dakotans who are eager to share their stories and find out more about this legislation," said Johnson. "Health care professionals, children caring for elderly parents and senior citizens themselves have come forward to relate the difficulties high drug prices have presented."

Johnson points to the case of an elderly patient from South Dakota who was no longer able to afford his ulcer medication. Instead of taking the prescribed daily dosage, he tried taking his medication every other day. Ultimately his ulcer became worse and his medical bills actually increased.

In a similar situation, a registered nurse contacted Johnson to relate a situation which had arisen in her own family. Her elderly mother had asked if she could stop taking her heart medication because she was unable to afford her life-saving drugs and her regular living expenses.

"Unfortunately, these aren't isolated examples," said Johnson. "These situations are becoming more and more typical among South Dakota's aging population and throughout our nation as a whole."

Although the high cost of prescription drugs is taking its toll throughout all age groups, senior citizens are hit particularly hard by rising pharmaceutical prices, since they tend to require more medication than their younger counterparts and are less likely to have insurance coverage to help offset their out-of-pocket drug costs.

IN BRIEF

"The Prescription Drug Fairness for Seniors Act of 1999"

Bill Number: S.731

Sponsors: U.S. Senators Tim Johnson, along with Senators Bingaman; Daschle; Dodd; Dorgan; Feingold; Hollings; Inouye; Kennedy; Kerry (D-MA); Leahy; and Wellstone.

Status: Referred to Senate Finance Committee

For More Information: Call U.S. Senator Tim Johnson's office toll-free from anywhere in South Dakota at **1-800-537-0025**.

Dear Senator Johnson,

I support your efforts to make prescription drugs affordable for all Americans.

I pay an average of \$_____ per month for my prescription drugs. I am _____ years old, and I (AM/AM NOT) covered by Medicare.

- Please include me as a Citizen Cosponsor of your "Prescription Drug Fairness for Seniors Act"
- Please keep me informed about your efforts to make prescription drugs affordable for all Americans.

COMMENTS: _____

Signed,

Increases in Average Price for Various Types of Medication, 1993 - 1998

Antidepressants	61.1%
Cholesterol Reducers	12.4%
Anti-ulcerants	29.8%
Oral Antihistamines	18.6%
Antibiotics	27.2%
Antihypertension	-0.6%

Social Security Cost of Living Adjustment (COLA):

16.88%

Sources: Commonwealth Fund 1998 International Health Policy Survey; Social Security Administration

Pharmaceutical Lobbying, Advertising Budgets Aggressive in Promoting Industry Interests

According to the Center for Responsive Politics, the pharmaceutical industry spent more than \$74 million on lobbying during the 105th Congress (1997 - 1998). As an industry, they were second only to the insurance industry in their lobbying expenditures. Money spent on lobbying is in addition to the \$13 million they spent on campaign contributions. The pharmaceutical industry spent more money attempting to influence Congress than hospitals, nursing homes, and all health professionals combined.

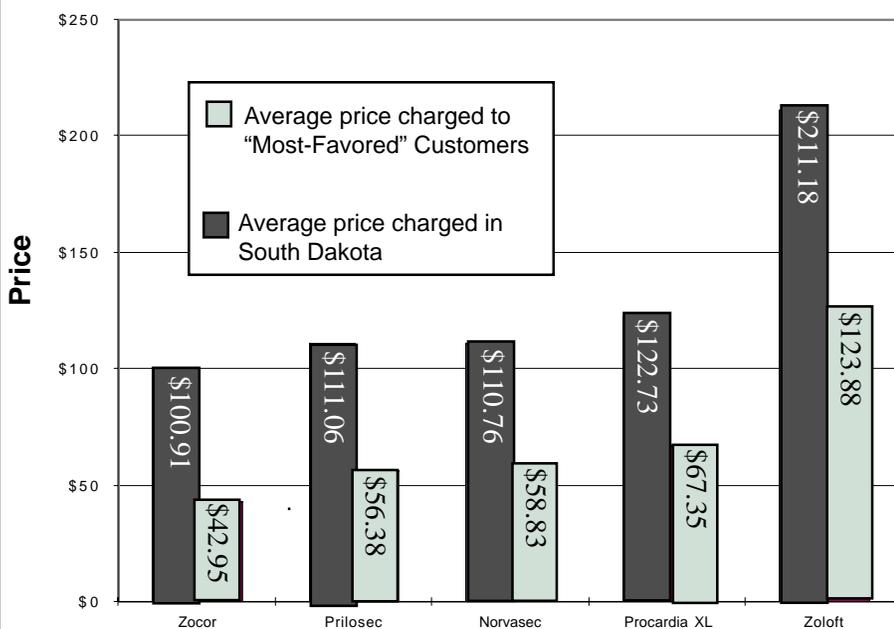
In addition to their lobbying efforts and campaign donations, the pharmaceutical industry spent approximately \$1.3 billion marketing their products directly to the consumer, mostly through television advertising. According to *Consumer Reports*, drug makers more than doubled their spending on television ads from 1997 to 1998. Industry expenditures on direct-to-consumer advertising are projected to increase by 54% this year, putting the overall direct marketing of pharmaceutical products at more than \$2 billion.

Still, this figure is tiny compared to the amount of money pharmaceutical companies spend marketing their products to physicians and other health professionals. These types of promotions reached an all-time-high of \$7 billion in 1998.

In fact, *Consumer Reports* notes, "Research isn't even the biggest expense for pharmaceutical companies; marketing is. Although the exact breakdown varies from one company to another, the industry as a whole spends at least as much advertising and promoting drugs as it does developing them -- and some major firms spend much more."

The industry argues that such ads provide patients with valuable information that makes their visits to the doctor's office more productive. Critics, on the other hand argue that the advertising frequently causes patients to demand medications which are not medically necessary, or causes them to request more expensive medication when a cheaper product would be just as effective. Because such ads fuel consumer demand, some managed care companies have imposed new restrictions, limiting the list of drugs for which they will pay.

Comparison of Drug Prices Charged in South Dakota and to Most-Favored Customers [for an average monthly supply]



"Most-Favored Customers" are bulk purchasers, such as HMOs, large insurance companies, and the federal government.

Source: U.S. House of Representatives Committee on Government Reform and Oversight

Did You Know...?

The pharmaceutical industry as a whole generated more than \$70 billion in revenue during fiscal year 1998.

The profit margin of an average publicly-traded corporation during fiscal year 1998 was 6.4%. The average profit margin for publicly-traded pharmaceutical companies during that same time period was more than 20%.

Pharmaceutical companies spent approximately \$1.3 billion advertising prescription drugs to consumers in 1998.

That amount is expected to increase 54% in 1999, reaching more than \$2 billion.

The vast majority of pharmaceutical companies' marketing efforts is directed toward physicians and other health professionals. This type of promotional spending reached an all-time-high of \$7.0 billion in 1998.

In 1993, 13% of older Americans surveyed reported that they were forced to choose between buying food and buying medicine.

A recent study revealed that a senior citizen in South Dakota would pay more than twice as much for their prescription drugs as a pharmaceutical company's "favored" customer (HMOs, large insurance companies and the federal government). For many individual drugs, the price differential was much higher.

Top Salaries and Benefits of Pharmaceutical Executives:

Company	CEO	Age	Tenure	Total Annual Compensation
Amgen	Gordon M. Binder	63	11 years	\$39.5 million
Pfizer	William C. Steere, Jr.	62	8 years	\$38.2 million
Bristol-Myers Squibb	Charles A. Heimbold, Jr.	65	5 years	\$34.8 million
Schering-Plough	Richard Jay Kogan	57	3 years	\$29.1 million
Warner-Lambert	Lodewijk de Vink	53	2 years	\$27.5 million

Average salary of a non-farm production worker in South Dakota: **\$23,944**

Average annual Social Security benefit for a South Dakota retiree: **\$8,472**

Source: Forbes, Social Security Administration, South Dakota Department of Labor

Rural Americans Hit Hardest By Medicare's Lack of Prescription Coverage

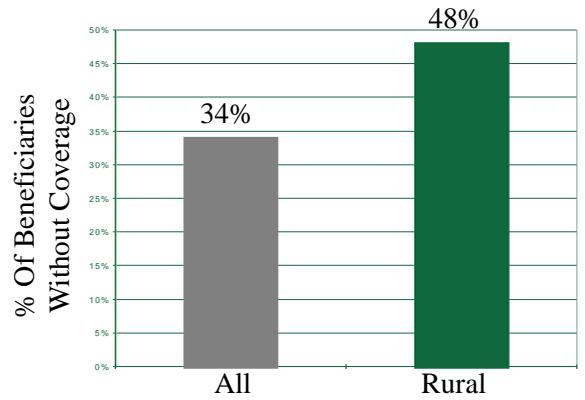
There are approximately 40 million Medicare beneficiaries living in the United States, 13 million of whom do not have prescription drug coverage. Of those 13 million, 4.5 million live in rural America. These figures, released in a recent White House report, demonstrate that senior citizens living on a fixed income are more likely to pay for their own prescription medication than to have their costs partially or fully offset by Medigap policies, managed care plans or other forms of insurance.

Medicare managed care plans, many of which offer prescription drug coverage, are frequently not available in rural areas. Three out of four Medicare beneficiaries living in rural areas do not have access to managed care plans at all.

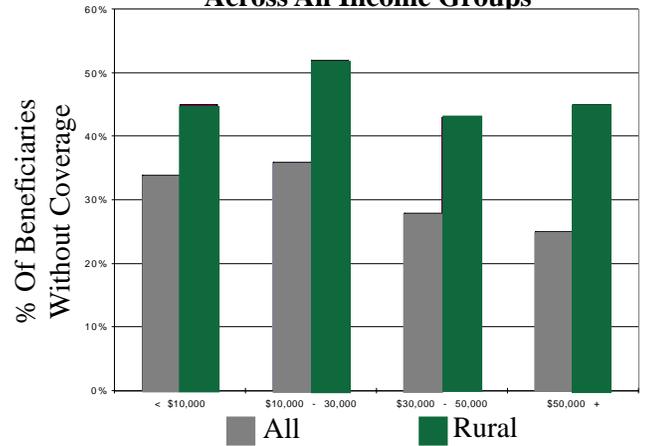
Furthermore, residents of rural areas are less likely to have worked for employers which offer retiree health plans, many of which include prescription drug benefits, since such coverage is usually provided only by larger firms (which tend to be located in urban areas).

Seniors living in rural areas are therefore often left with access only to traditional Medicare, which generally does not cover prescription drugs. While Medigap plans are available to residents nationwide, their costs vary widely from region to region. They are costly and frequently beyond the means of retired persons living on fixed incomes. Furthermore, Medigap premiums tend to increase substantially as the beneficiary grows older.

More Rural Medicare Beneficiaries Lack Prescription Drug Coverage



Rural Beneficiaries Are Less Likely To Have Prescription Drug Coverage Across All Income Groups



FOR WHAT IT'S WORTH...

Revenue and Profit Margins for Major Pharmaceutical Companies:

	Revenue (in millions of dollars)	Profit Margin
AstraZeneca (AZN)	\$ 9,147	13.0%
Forest Labs (FRX)	\$ 546	14.1%
Glaxo Wellcome (GLX)	\$ 13,252	23.0%
Hoechst (HOE)	\$ 26,186	4.3%
Lilly (LLY)	\$ 9,237	22.8%
Merck (MRK)	\$26,898	19.5%
Novo-Nordisk (NVO)	\$ 2,816	13.5%
Pfizer (PFE)	\$ 13,544	24.7%
Pharmacia & Upjohn (PNU)	\$ 6,893	10.0%
Roberts (RPC)	\$ 175	9.6%
Schering-Plough (SGP)	\$ 8,077	21.7%
SmithKline Beecham (SBH)	\$ 13,416	7.5%
Pharmaceutical Industry as a whole	\$ 70,224	20.1%
Market as a whole	\$ 6,186,630	6.4%

"Profit Margin" is net income after taxes divided by total revenue for fiscal year 1998.

"Revenue" means net sales and other revenues for fiscal year 1998.

Sources: Various market reports published Sept. 1999