Drug Companies Increase Spending on Efforts to Lobby Congress and Governments

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Lobbyists for the drug industry are stepping up spending to influence Congress, the states and even foreign governments as the debate intensifies over how to provide prescription drug benefits to the elderly, industry executives say.

Confidential budget documents from the leading pharmaceutical trade group show that it will spend millions of dollars lobbying Congress and state legislatures, fighting price controls around the world, subsidizing "like-minded organizations" and paying economists to produce op-ed articles and monographs in response to critics.

The industry is worried that price controls and other regulations will tie the drug makers' hands as state, federal and foreign governments try to expand access to affordable drugs.

The documents show that the trade association, the Pharmaceutical Research and Manufacturers of America, known as PhRMA, will spend at least $150 million in the coming year.

That represents an increase of 23 percent over this year's budget of $121.7 million.

Directors of the trade association approved the new budget, together with an increase in membership dues to pay for an expanded lobbying campaign, at a meeting last week.

"Unless we achieve enactment this year of market-based Medicare drug coverage for seniors, the industry's vulnerability will increase in the remainder of 2003 and in the 2004 election year," says one document, which laments the "demonization of the industry."

Congress will plunge into work on Medicare soon after it reconvenes next week. President Bush and Congressional leaders have said they intend to revamp Medicare and add drug benefits for the elderly. Both houses plan to vote on the legislation before the Fourth of July recess. But a struggle over drug costs and benefits is likely to continue for months, or years.

The drug trade group plans to spend $1 million for an "intellectual echo chamber of economists -- a standing network of economists and thought leaders to speak against federal price control regulations through articles and
testimony, and to serve as a rapid response team."

The trade association and its tactics have become an issue. In debate on the Senate floor last summer, Senator Richard J. Durbin, Democrat of Illinois, said, "PhRMA, this lobby, has a death grip on Congress."

Senator Charles E. Schumer, Democrat of New York, said the drug industry made wonderful products, but was becoming "despised and hated" because of its aggressive efforts to keep prices and profits high.

But Senator Orrin G. Hatch, Republican of Utah, defended the trade group, saying it had been vilified as a "satanic" force, "a bunch of greedy, money-grubbing companies." In fact, he said, drug makers do more than any other industry to help people.

The pharmaceutical association gets nearly all its revenue from dues paid by member companies, according to the documents, which were obtained from people in the industry. Dues will total $143.8 million in the coming year, an increase of 24 percent, or $28.3 million, over this year's dues, the documents show.

In its budget for the fiscal year that begins on July 1, the pharmaceutical lobby earmarks $72.7 million for advocacy at the federal level, directed mainly at Congress; $4.9 million to lobby the Food and Drug Administration; and $48.7 million for advocacy at the state level.

In addition, the budget sets aside $17.5 million to fight price controls and protect patent rights in foreign countries and in trade negotiations.

The PhRMA budget allocates $1 million "to change the Canadian health care system" and $450,000 to stem the flow of low-price prescription drugs from online pharmacies in Canada to customers in the United States.

The major pharmaceutical companies operate in global markets. Canada, like many industrial countries, offers health insurance to all citizens, but limits drug prices.

A memorandum for the PhRMA board says the industry is on the defensive, facing a "perfect storm" whipped up by several factors: "expanding government price controls abroad, resulting in politically unsustainable cross-border pricing differences; increasing availability of medicines from abroad via Internet sales"; state ballot initiatives to make drugs more affordable in the United States; increasing state demands for drug discounts in the Medicaid program; and "false perceptions that drug prices are increasing by 20 percent a year."

Exact comparisons are difficult, but a group facing similar problems, the American Association of Health Plans, budgeted $26 million this year to lobby for health maintenance organizations.

In its budget, the Pharmaceutical Research and Manufacturers of America says it will spend these amounts in the coming year:

*$15.8 million to fight "a union-driven, get-out-the-vote ballot initiative in Ohio," which would lower drug prices for people who have no insurance to cover such costs.

*At least $2 million, and perhaps $2.5 million, in payments to research and policy organizations, "to build intellectual capital and generate a higher volume of messages from credible sources" sympathetic to the industry.

*$9.4 million for public relations, including "$1 million for inside-the-Beltway advertising, $555,000 for placement of op-eds and articles by third parties," $600,000 for polling, $1.3 million for local publicity in 15 states and $680,000 for media relations consultants.

The federal affairs staff at PhRMA has quadrupled, to 20 employees today from 5 in 1999. The organization plans to spend $5 million for outside lobbyists at the federal level. In their campaign contributions, drug companies have
favored Republican candidates. But PhRMA has retained a diverse group of lobbyists to ensure access to politicians of both parties.

Its Democratic lobbyists, listed in recent reports to Congress, include former Representative Vic Fazio of California; David W. Beier, who was chief domestic policy adviser to Vice President Al Gore; Joel P. Johnson, who was a top aide to President Bill Clinton and to Senator Tom Daschle, the minority leader; and Nick Littlefield, former chief counsel for Senator Edward M. Kennedy of Massachusetts.

Republicans who reported lobbying for PhRMA include former Representatives Vin Weber of Minnesota and Bill Paxon of New York; Dave Larson, former health policy adviser to Bill Frist, now the Senate majority leader; Edwin A. Buckham, former chief of staff to Tom DeLay, now the House majority leader; and Scott Hatch, the son of Senator Hatch.

The state government affairs division of PhRMA will spend $3.1 million to retain more than 60 lobbyists in the 50 states. The number of state legislative proposals dealing with prescription drugs has doubled since 1999. The drug industry says many of the bills "are seriously negative, have a high probability of enactment and require major attention on our part."

Dale Butland, a spokesman for the coalition seeking lower drug prices in Ohio, said the drug industry lobby was "spending money like water here," challenging the validity of signatures on petitions seeking a statewide referendum.

PhRMA said it would spend $12.3 million to develop coalitions and strategic alliances with doctors, patients, universities and influential members of minority groups.

The organization has earmarked several million dollars to foster ties with groups like the National Black Caucus of State Legislators, the National Hispanic Caucus of State Legislators and the National Medical Association, which represents the interests of African-American doctors.

The budget includes $500,000 for efforts to "educate and activate Hispanic-Latino organizations on a state and federal level."

Several Hispanic groups have joined the drug industry in opposing state efforts to control Medicaid costs by establishing lists of preferred drugs. The Texas League of United Latin American Citizens issued a statement last year saying it "stands solidly" behind a lawsuit filed by the industry to block the use of such lists.

Luis Roberto Vera Jr., general counsel of the Texas Latino league, said it received $10,000 from PhRMA to help pay for a workshop on Latino health issues last year. But "there was no quid pro quo," Mr. Vera said.

Ana Yanez-Correa, policy director for the Texas group, said PhRMA was "overstating and misrepresenting the amount of support it had" from Latinos.

Dr. L. Natalie Carroll, president of the National Medical Association, said her group had received small amounts of money from PhRMA. The grants, she said, helped the association publish research showing that different racial groups respond differently to some drugs.

As a result, Dr. Carroll said, state policies steering patients to the cheapest drug in a therapeutic class could be particularly harmful to black patients.

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Senator Richard J. Durbin, top, and Senator Orrin G. Hatch were divided over a drug trade group. (Photographs by Associated Press) Chart: "Drug Lobby Group's Spending Plans" The Pharmaceutical Research and Manufacturers of America, the drug industry's main lobbying group, plans to increase its budget 23 percent in the coming year, to $150 million, according to internal documents. The group opposes price controls on drugs and is seeking to influence the debate in Congress over providing prescription drug benefits to the elderly. PROPOSED BUDGET FOR FISCAL 2004

DIVISION -- In millions
Federal affairs: $ 14.4
Alliance development: 12.3
Pursues strategic alliances with economists, doctors, patients and influential members of minority groups to shape public opinion. State government affairs: 11.7
Legal: 9.7
Public affairs: 9.4
Policy and research: 9.4
International: 6.3
Scientific and regulatory affairs: 4.3
Finance and operations: 4.3
Office of the president: 1.5

SUBTOTAL: $83.3

OTHER EXPENSES: $ 66.7
TOTAL: $150.0
*Includes an additional $6.3 million for a contingency fund and an addition to reserves.

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