

The drug lobby demands, and gets, Obama pledge to protect health care profits

Kate Randall
7 August 2009

The Obama White House has acknowledged it made a deal with drug makers to block moves in Congress to obtain any cost savings beyond the \$80 billion already agreed to by the pharmaceutical lobby.

The *New York Times* reported Thursday that, in return for the \$80 billion agreement, the Obama administration pledged that it would work to block any health care legislation that would allow the government to negotiate price-setting on drugs.

The deal is further evidence of the corporate forces calling the shots in Obama's health care overhaul. While touring the country claiming the plan will make the health care giants' "honest," the administration is cutting behind-the-scenes deals to protect and boost their profits.

Details of the White House pledge were revealed this week when the pharmaceutical lobby reacted to a House health care measure that would have allowed the government to negotiate drug prices, or demand additional rebates from the drug companies.

The lobbyists immediately insisted that the Obama administration publicly acknowledge its commitment to protect the pharmaceuticals from bearing any further costs. The White House quickly obliged.

The *Times* reported that Jim Messina, a deputy White House chief of staff, wrote in an email Wednesday night, "The president encouraged this approach. He wanted to bring all the parties to the table to discuss health insurance reform."

Billy Tauzin, a former Republican congressman and head of the Pharmaceutical Research and Manufacturers of America (PhRMA) trade group, described how the deal went down. "We were assured: 'We need somebody to come in first. If you come in first, you will have a rock-solid deal,'" he said.

Tauzin added, "They wanted a big player to come in and set the bar for everybody else." He also said that the White House urged him to negotiate with Democratic Senator Max Baucus, who heads the Senate Finance Committee, which has yet to present its version of health care legislation. Baucus is beholden to the health care industry, having raked in nearly \$1.5 million in 2007-2008 from lobbies representing hospitals, insurers, pharmaceuticals and other health care interests.

Tauzin's negotiations with Baucus went well for the drug companies, with the committee reportedly moving away from measures that would have allowed the government to negotiate drug prices, or allowed the importing of cheaper drugs from Canada or Europe. Tauzin said that the White House monitored the negotiations with Baucus throughout.

The *Times* reports that after reaching a deal with Baucus, Tauzin "met twice at the White House with Rahm Emanuel, the White House chief of staff; Mr. Messina, his deputy; and Nancy-Ann DeParle, the aide overseeing the health care overhaul, to confirm the administration's support for the terms." Tauzin said the White House "blessed the deal" with Baucus.

At one of these meetings, several industry chief executives—including from Abbot Laboratories, Merck and Pfizer—were also in attendance. It was here that they reportedly hashed out the deal on the nominal \$80 billion in so-called cost savings.

Details about the pharmaceuticals' \$80 billion offer have been vague, but they will likely come—not as a handout by the drug industry—but in the form of lower patient co-pays on prescriptions, or as modest discounts on reimbursements to the industry for expanded government-backed medical coverage.

In an industry that generates annual US sales of more

than \$300 billion, the \$80 billion is minimal. The more likely scenario is that \$80 billion will be more than offset by the increased profits the pharmaceutical industry stands to make on prescriptions purchased by new patients under insurance coverage that they would be mandated to purchase under the new health care legislation.

In any event, Tauzin is not prepared to alter the offer. “\$80 billion is the max, no more or less,” he told the *Times*. “Adding other stuff changes the deal.”

Tauzin earned his stripes as a heavy for the big pharmaceuticals during a career in Congress before becoming a lobbyist. He served for 15 years in the US House as a Democrat, and was one of the cofounders of the House Blue Dog Coalition of conservative Democrats. He switched to the Republican Party in August 1995.

Tauzin served as chairman of the Energy and Commerce Committee from 2001 to the beginning of 2004. He played a key role in guiding through Congress the Medicare prescription drug bill known as Medicare Part D, which went into effect on January 1, 2006.

Structured as a privatized plan, the plan bans federal negotiations with drug manufacturers for discounts, forcing Medicare to pay full price for prescription drugs. Tauzin is generally credited with inserting this language into the bill, as well as language barring the importation of cheaper drugs from Canada.

An analysis by the US House Committee on Government Reform found that in its first six months, Medicare Part D generated \$8 billion in profits for the pharmaceutical companies. A Kaiser Family Foundation study estimated that Medicare Part D would generate \$724 billion in revenues between 2006 and 2015.

Billy Tauzin left Congress on January 3, 2005, and began working that very day for PhRMA, reportedly offered a \$2.5 million annual salary to head the leading drug industry lobbying group.

During his presidential campaign, Obama derided the drug companies for charging extortionate prices, and pledged he would let Medicare negotiate for lower prices and would allow importation of cheaper drugs from Canada. His selection now of Billy Tauzin to broker a deal with the pharmaceuticals is not accidental. He knows who he’s dealing with, and the

interests Tauzin brings to the table.

Obama’s public affirmation that no further “cost savings” are to be extracted from the drug companies is further confirmation that any health care plan Obama signs will be a cut-rate, class-based system that will ration care for ordinary Americans while leaving the profits of the giant pharmaceutical and other health care industries intact.



To contact the WSWs and the
Socialist Equality Party visit:

wsws.org/contact