

MAY 26, 2004

**SCHAKOWSKY: BUSH ADMINISTRATION MISSTATEMENT OF THE DAY -  
MEDICARE DRUG CARDS**

WASHINGTON, D.C. - U.S. Representative Jan Schakowsky (D-IL) issued "The Bush Administration Misstatement of the Day" on the privately-run drug cards for Medicare beneficiaries.

Speaking at Youngstown State University on May 25, 2004, President Bush said: *"One of the things that you're going to see happening here very quickly is drug discount cards will be sent out to senior citizens. It's a good thing. This is part of Medicare reform, making the Medicare system better. And the drug discount cards will allow seniors to save between 15 to 25 percent off of brand-name medicines, and more off of generic drugs."* However, according to a story that appeared in *USA Today* (5/25/04) about studies by AARP and Families USA, seniors have seen drug prices for name-brand medicines rise *"at least three times faster than inflation in the last four years,"* and, as a result, the *"multiyear price increases outstrip the discounts that will be available to seniors beginning June 1 with a new Medicare discount card."*

The story continues:

"AARP's study of 155 name-brand drugs found an average price increase of 27.6% over four years ending in December, compared with a 10.4% inflation rate. The average annual increase in 2003 for the most widely used drugs was 6.9%, triple the inflation rate of 2.2%.

"The Families USA study found the 30 most frequently prescribed name-brand drugs for seniors rose 6.5% in 2003. For 26 of those drugs available in 2001, prices rose 22% over three years."

**AARP: Drug prices soaring**

**By William M. Welch, USA TODAY**

**WASHINGTON - Prices for name-brand medicines most commonly prescribed for seniors have risen at least three times faster than inflation in the last four years, two groups seeking lower prices said Tuesday.**

**The multiyear price increases outstrip the discounts that will be available to seniors beginning June 1 with a new Medicare discount card. The Bush administration predicts savings of 15% or more for those who pay up to \$30 a year to participate.**

**One of the new studies was done by AARP, the nation's largest organization of Americans 50 and older. The group provided crucial support for the new Medicare law that passed Congress last fall but has since lobbied to reduce drug costs.**

**"If the price of drugs keeps going up faster than inflation, it will become more and more difficult for consumers, especially older consumers, to be able to afford them," said John Rother, AARP's policy director.**

**The two studies are likely to increase demand for lower drug prices. Many consumers, along with some states and municipalities, buy drugs at reduced costs in Canada, which violates federal law. Pressure is building in Congress to legalize some imports. The new law prohibits the federal government from negotiating with drugmakers for lower prices. The studies by AARP and Families USA, a national health care consumers organization, examined wholesale prices charged by drug manufacturers. They said retail prices generally tracked wholesale increases. Generic drugs, which make up about half of all prescriptions in the United States, were not included.**

**AARP's study of 155 name-brand drugs found an average price increase of 27.6% over four years ending in December, compared with a 10.4% inflation rate. The average annual increase in 2003 for the most widely used drugs was 6.9%, triple the inflation rate of 2.2%.**

**The Families USA study found the 30 most frequently prescribed name-brand drugs for seniors rose 6.5% in 2003. For 26 of those drugs available in 2001, prices rose 22% over three years.**

**Prices for almost all the top-selling drugs rose faster than inflation. Because Social Security benefits are tied to the consumer price index, many seniors' incomes were eroded by the cost of medicines.**

**Drugmakers justify high prices as a way to recover research costs and offset government-imposed price controls abroad. Critics contend that U.S. prices finance the companies' advertising, lobbying and political contributions and make drug manufacturing one of the nation's most profitable industries.**

**M.J. Finland, spokeswoman for the Pharmaceutical Research and Manufacturers of America, the trade organization of brand-name drugmakers, said the increases were in line with health care inflation.**

**Bill Pierce, spokesman for the Department of Health and Human Services, said the studies show the need for seniors to sign up for the Medicare discount card. "Now they have help," he said. Qualifying low-income seniors also will receive a \$600 federal benefit to offset drug costs if they buy a card.**