# Bush's Medicare Drug Plan Looks Like Yet Another Offering to 'Privateers'

by Linda Everett

President George W. Bush, stung by the Senate's passage of the bipartisan Patient Protection Act of 2001 over his opposition, tried to rebound with the July 12 release of his new proposal for a Medicare drug plan that he claims will immediately help 40 million older and disabled Medicare beneficiaries. But, the centerpiece of the Bush plan, to sell "discount drug cards" to the elderly, is, like his energy "policy," a scam that serves old business partners and privateers, and does nothing to address the crisis of the cost of prescription drugs for the nation's elderly. As one pharmacist told *EIR,* "With this plan, Bush made a pact with the devil."

Medicare, the Federal government's health program for older and disabled Americans, does not now provide sorely needed prescription drugs benefits. The elderly and disabled are now making daily choices between food and medication. Drug prices for the 50 most commonly used drugs by the elderly rose up to 8.5 times the rate of inflation in the last year; the cost of some commonly used drugs rose 365% over the last decade. Bush's plan, which he proudly says "would cost the government nothing," will do nothing to address the obscenely high cost of medications. It would bring in private companies, called Pharmacy Benefit Managers or PBMs, to sell discount drug cards to the elderly. The cards, which are often bogus, or provide few discounts, are already broadly available in many regions, but are outlawed in several states.

PBMs do not produce or sell drugs, but act as intermediaries, administering drug benefits for insurance and managed-care companies and employers. They are the creation of the managed-care industry, brought in by health maintenance organizations (HMOs) to allegedly provide prescription drugs for the lowest cost, often through mail order. For years, drug companies owned most PBMs, and used them to promote their highest-priced products.

PBMs usually provide a list or formulary of available medications from which customers may choose. The list is usually dictated by those drug manufacturers who pay PBMs a kickback to list their drugs at a small discount and to increase the number of customers who use their products—even if they are not what the doctor prescribed or are not medically appropriate. There is no assurance that any one, or several discount cards, will actually list the medications a patient needs. Only a small part of the PBMs discount (about 2% to 5%) may be passed on to card members.

The Bush Administration says the PBMs can reduce drug costs for seniors by 25%. But, neither the PBMs nor the drug manufacturers are about to cut their profits. The "discounts" will be gouged out of the payments made to small pharmacists who fill the majority of the nation's prescriptions. These pharmacists, or local drug stores, whose net profits are now only 1-2%, already are forced to absorb huge cuts from HMOs and insurance and managed-care companies. When a pharmacist fills a $42 prescription, he or she is paid just $.85. Under the Bush plan, they will be paid even less. According to the National Community Pharmacist Association, "There is no way any pharmacy in the country can absorb the cuts Bush is talking about."

## A Bushgate Issue?

The National Association of Chain Drug Stores (NACDS) and the National Community Pharmacists Association (NCPA), which collectively represent more than 55,000 community pharmacies and 130,000 pharmacists, are suing the Bush Administration. They say it violated Federal rules by failing to hold public hearings on the plan, and setting up a government-private consortium in total secrecy—with no input from pharmacists who are adversely affected. They charge that the Bush Administration created a consortium with five PBMs, with which the Administration has been working secretly for months. These five companies, Express Scripts, Merck-Medco, Advance PCS, Wellpoint Health Networks, and Caremark, which will all be major benefactors of the plan, actually designed it. They also wrote the rules of PBM participation in the consortium to keep out their competition.

Among those involved in drawing up the Bush plan were two officials with Caremark Inc. and Wellpoint Health Networks Inc.—both of whom were formerly on the Board of Directors of the Federation of American Hospitals, the for-profit hospital lobbying group. They worked with Tom Scully, the former CEO of the federation. Scully is now in a shameful conflict-of-interest, as the Bush appointee to head the Federal government's Center for Medicare and Medicaid Services (formerly the Health Care Financing Administration). Scully is close to the Bush family, having worked on Presidential campaigns for both Bush and his father.

The conflict goes deeper with the inclusion of AdvancePCS. David Halbert, CEO of AdvancePCS, the Irving, Texas-based PBM involved in the Bush plan, has known Bush since 1985, when they were in the oil business together. Halbert boasted to the *Texas Star-Telegram* on July 16 that two months ago, Bush, who was one of the original investors in AdvancePCS (he allegedly divested his stock before the Presidential campaign), contacted him about working on his Medicare proposal.

Days after Bush unveiled his proposal, it was found that senior Presidential adviser Karl Rove illegally met in his White House office with drug-firm officials on June 5 to discuss the Bush plan—while he held $240,000 in shares of two major drug companies, Pfizer Inc. and Johnson & Johnson. Just as Rove had met illegally with energy officials while holding Enron stock, he now discussed the Medicare drug proposal with Alan F. Holmer, president of the Pharmaceutical Research and Manufacturers of America (PhRMA), which represents the nation's largest drug companies. Only days later did Rove sell his stock. PhRMA was among the biggest contributors to the June Congressional fundraiser "salute" to Bush; it gave or raised $250,000.

### Drug Monopolists

Others involved in drawing up guidelines for the Bush plan were representatives of PhARMA. This is not inconsequential, given that the pharmaceutical industry is the most profitable of all U.S. industries, with profit margins nearly four times that of the average Fortune 500 company (for the year 2000). Yet, some drug manufacturers, who are the sole producers of critically needed medications for the nation, including everything from treatment for hemophilia, snakebites, tetanus, influenza, to surgical anaesthesia, antibiotics, and vaccines, are actually causing nationwide shortages of these life-saving drugs to keep up their profit margins. For example, Wyeth-Ayerst decided to stop producing tetanus vaccine and Wydase, a drug used on newborns and surgery patients, because the profits weren't worth the cost of upgrading the company's production facilities. Yet, American Home Products, the parent company of Wyeth Ayerst, pays its CEO $27,008,927 a year, with $81,847,567 in unexercised stock options.

The "market"—with George W. Bush leading it—trumps the shareholders' interests over human life. Too bad for the tens of thousands of children with hemophilia; those who are allergic to regular antibiotics and depend on spectinomycin, now no longer produced. And now, apologies to those millions of elderly patients funnelled to these drug manufacturers to have their incomes looted through George W. Bush's bogus "discount" cards.

## Baltimore

# Mayor O'Malley's Tunnel Vision

by Lawrence K. Freeman and Michele Steinberg

On July 18, a CSX freight train of 60 cars travelling northbound at approximately 20 miles per hour through the 1.7-mile-long, 105-year-old Howard Street tunnel in the center of Baltimore, Maryland, was halted by an emergency air brake. A fire ignited; within an hour smoke was billowing out of both ends of the tunnel. Civil defense sirens sounded the alarm to city residents. The two-man crew drove the engines out of the tunnel, and fire crews rushed to the scene. Within hours, sections of the city were flooded when a water main broke, and electricity and communications, including the Internet, were cut off. The fire continued for more than four days.

Ironically, less than three months earlier, on April 24, Baltimore Mayor Martin O'Malley was featured as a "New Democrats" favorite at a meeting of the Democratic Leadership Council (DLC) in Washington, D.C. O'Malley, along with his "New Economy" partner, D.C. Mayor Anthony Williams, had been brought in to promote "digital government" and the "virtual economy" at the DLC's "Spring Technology" meeting. The two mayors projected growth of a massive tourism industry, spurred by a successful bid for the 2012 Olympics for the Washington-Baltimore area—even if it means driving every poor person out of the region.

For his part, Williams said that Washington, D.C. has to "catch up" in its use of the Internet. But, he added, he had been successful in *eliminating real services,* by closing D.C. General, the District's only remaining public hospital. Williams nervously referred to the plan to close D.C. General as a "classic New Democrat" project.

O'Malley presented a slide show, which pictured a "block-by-block" computerized map of Baltimore, using a high-tech software system called "Citistat" and "Comstat." O'Malley explained that he could eliminate the problems of potholes, uncollected garbage, abandoned cars, and other environmental unpleasantries. Through the greater "efficiency" of Citistat, boasted O'Malley, every reported pothole could be plotted out on a map, tracked, and repaired within 48 hours. His vision for the future was that every citizen could have a plastic recycling bin from the city delivered to their door, simply by putting in an order on the Internet!

Unfortunately for the people of Baltimore, Mayor O'Malley has a bad case of tunnel vision. Less than three months