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## AS WE SEE IT

**Are We to Become Serfs of the Drug Monopoly?**

By William Faloon

The high cost of prescription drugs is causing major economic upheaval in the health care system and is forcing many of those without insurance to go broke paying for their medicines.

While politicians are trying to get Medicare (meaning the taxpayer) to shoulder part of this burden, The Life Extension Foundation has shown that inflated drug prices are a result of a protected monopoly the FDA grants to the pharmaceutical giants. As anyone familiar with free markets knows, lack of competition means the consumer pays exorbitant prices for lower quality products. In the case of prescription drugs, Americans pay the highest prices in the world and are often the last to gain access to therapies that were long ago approved in other countries.

Up until now, HMOs and insurance companies have been subsidizing consumer prescription drug purchases through nominal "co-pay" arrangements. That price protection is rapidly vanishing, as most HMOs have lost money over the last three years and are raising premiums and co-pays on prescription drugs to cut the financial hemorrhage. In some cases, HMOs are going out of business because their premium base does not cover the skyrocketing costs of prescription drugs.



One problem has been that prescription drug prices are increasing at four times the rate of inflation because without free market competition, drug companies can raise prices at their discretion. Another reason for this pending healthcare crisis is that patients are succumbing to drug company advertising and demanding their doctors prescribe more of the newer and more expensive drugs. Last year, prescription use was up 9% and is expected to increase at greater percentages as the population ages.

HMOs lost a combined \$490 million in 1998. When HMOs go bankrupt, consumers can be left scrambling for health insurance coverage, as was seen when HIP Health Plan of New Jersey went broke leaving nearly 200,000 without coverage that they had already paid for.

Drug companies argue that they need high profit margins to maintain quality and support research. That's the same argument AT&T used in the past to justify its monopoly over phone service. Since AT&T was broken up, the quality of phone service has improved, many more features are available, and long-distance charges have

plummeted by about 10-fold. The same favorable scenario would happen to healthcare if we could end the protected market the FDA provides to the drug cartel.

The pharmaceutical industry is so spoiled by the FDA-enforced monopoly that they lack the incentive to aggressively develop the type of drugs that would lead to major breakthroughs against the killer-diseases of aging. Just look at the new drugs "discovered" over the last 30 years by the pharmaceutical giants. They generally represent patented variations of existing drugs, or drugs long-ago approved in other countries. There is little incentive for innovation because small companies are automatically squeezed out of the market by the bureaucratic FDA approval process.

In a world characterized by falling prices on improved products, the fact that mediocre FDA-approved drugs continue to increase in price is clear evidence of a government-protected monopoly that must end.

### **A free market solution**

American citizens are being economically raped by a system that allows drug companies to charge artificially inflated prices for inferior products. Government mandated drug price controls are not the answer, nor will forcing taxpayers (though Medicare) to subsidize drug company profit margins solve the problem.

Americans do not have to tolerate the FDA's pillage of their health and pocketbooks. In the early 1990's, the public inundated Congress with mail about the FDA's threat to ban many vitamin supplements. The result was the passage of the Dietary Supplement Health and Education Act that drastically reduced the FDA's power.

Therefore, Foundation members should inform people they know about the great American drug ripoff, i.e. exorbitant prescription drug prices caused by an antiquated monopoly that has long outlived its usefulness. As more Americans learn the truth about why prescription drugs cost so much, a groundswell of public sentiment could cause an almost overnight change. If the Foundation's proposed free market solution were enacted, a renaissance of competitive innovation would be unleashed that would lead to breakthrough therapies to eradicate the diseases of aging, at affordable prices.

### **How members can help solve this disgraceful situation**

A bill has been introduced to the House of Representatives that could put an end to the extortionist pricing power the FDA has bestowed to the drug companies. Congressman Gil Gutknecht of Minnesota has proposed a simple way to lower prescription drug prices without new taxes or more government controls. His bill (HR 3240), would allow Americans to import into the United States FDA-approved drugs manufactured in FDA-approved facilities in other countries. If HR 3240 is enacted into law, the cost of prescription drugs would plummet, and the drug monopoly would suffer a serious setback.

HR 3240 simply prevents the FDA from blocking the import of FDA-approved drugs made in FDA-approved facilities in other countries. Because the bill does not require the government to spend any money and because the availability of prescription drugs at lower prices will be very popular, we think the bill has a decent chance of passing in Congress.

We encourage Life Extension members to contact their members of Congress and ask him to co-sponsor HR 3240, which would help to end the corrupt FDA-protected drug monopoly that exists today.

The preceding form letter provided can be torn out of this magazine and mailed or faxed to your Representative in Congress. To obtain the name of your Congressman, just phone 1-202-224-3121.

Passage of this bill would drive a stake through the heart of the drug cartel that views aging Americans as economic serfs who should spend their life savings paying grossly inflated prices for the medicines they need to stay alive. The Life Extension Foundation has been battling this drug cartel for two decades, and there is now a realistic chance of forcing pharmaceutical companies to compete in a free market environment.

### **Outrageously high drug prices**

When we established the FDA Museum in 1994, one of the areas of malfeasance we exposed was the

inflated prices Americans pay for their medicines compared to citizens of other countries.

In March 1999, The Life Extension Foundation conducted a survey of popular European and U.S. drug prices to see what the actual difference was. We compared these drugs brand-name to brand name. We are reprinting the following chart to show just how badly Americans are being defrauded by the FDA-protected drug cartel:

<b>Drug Quantity</b>	<b>Potency</b>	<b>U.S. Price</b>	<b>European Price</b>
Premarin	28 0 .6 mg	\$14.98	\$4.25
Synthroid	50 100 mg	\$13.84	\$2.95
Coumadin	25 10 mg	\$30.25	\$2.85
Prozac	14 20 mg	\$36.12	\$18.50
Prilosec	20 28 mg	\$109.00	\$39.25
Norvasc	30 5 mg	\$44.00	\$23.00
Claritin	20 10 mg	\$44.00	\$8.75
Augmentin	12 500 mg	\$49.50	\$8.75
Zocor	28 20 mg	\$96.99	\$45.00
Paxil	28 30 mg	\$63.69	\$43.00
Zestril	28 0.6 mg	\$53.49	\$15.00
Prempro	50 850 mg	\$23.49	\$4.75
Glucophage	60 5 mg	\$54.49	\$4.50
Cipro	20 500 mg	\$87.99	\$62.75
Zoloft	100 50 mg	\$80.00	\$65.00
Pravachol	28 10 mg	\$55.60	\$31.00

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