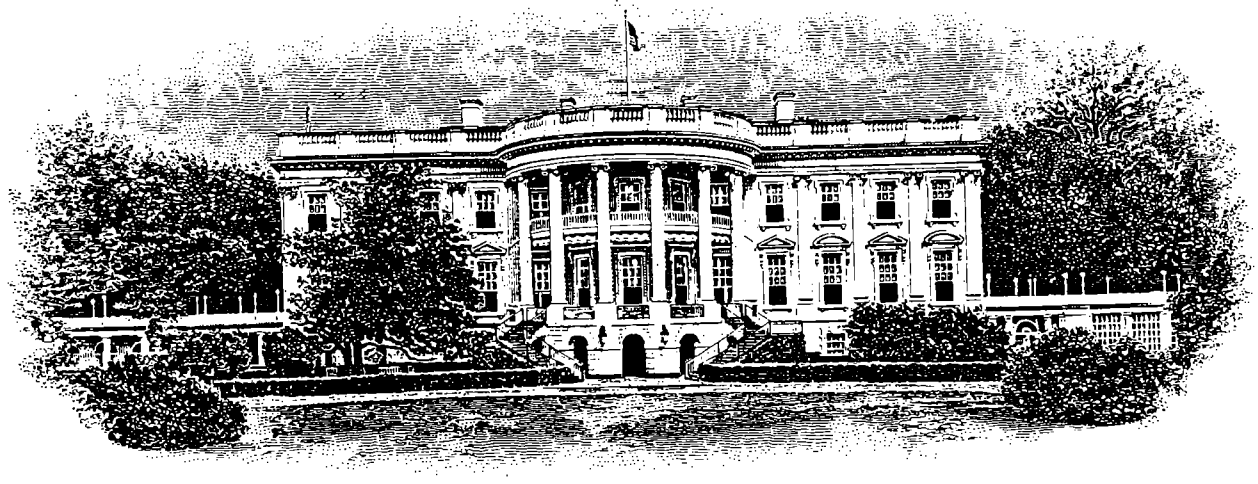
MEDICARE DRUGS

The White House



Appendix B

Company	1997 Total	1998 Total	1999 Total	1997-1999 Total
Glaxo Wellcome, Inc.	$3,774,000	$3,120,000	$2,739,116	$9,633,116
Hoechst Marion Roussel, AG	$1,160,000	$60,000	$785,000	$2,005,000
Hoffmann-La Roche Inc.	$1,395,400	$1,678,000	$1,911,620	$4,985,020
ICN Pharmaceuticals, Inc.	$160,000	$160,000	$40,000	$360,000
Immunex Corporation	$40,000	$160,000	$200,000	$400,000
Indigo Medical, Inc.			$140,000	$140,000
Interneuron Pharmaceuticals	$320,000			$320,000
Johnson & Johnson	$1,860,000	$1,580,000	$1,560,000	$5,000,000
Kensey Nash Corp.	$6,045	$20,000	$10,000	$36,045
Knoll Pharmaceutical Company	$14,000	$0	$100,000	$114,000
Mallinckrodt Group Inc.	$120,000	$120,000	$120,000	$360,000
McKesson HBOC, Inc.	$80,000	$40,000	$60,000	$180,000
Medco Containment	$42,378	$41,728	$20,000	$104,106
Medeva Pharmaceuticals	$20,000			$20,000
Merck & Co., Inc.	$5,140,000	$5,000,000	$5,320,000	$15,460,000
Michigan Biotech. Institute	$160,000	$185,000	$270,000	$615,000
Monsanto Co.	$4,000,000	$4,000,000	$4,000,000	$12,000,000
Mylan Laboratories, Inc.		$90,000	$95,000	$185,000
National Assn. of Pharm. Manufacturers	$80,000	$80,000		$160,000
National Pharmaceutical Alliance	$180,000	$200,000	$240,000	$620,000
National Wholesale Druggists' Assn.	$60,000	$100,000	$120,000	$280,000
Novartis Pharmaceuticals Corp.	$1,560,000	$1,160,000	$1,780,000	$4,500,000
Novopharm USA	$120,000	$60,000	$60,000	$240,000
Organon Inc.			$100,000	$100,000
Perrigo Co.	$120,000	$100,000	$40,000	$260,000
Pfizer Inc	$10,000,000	$8,000,000	$3,830,000	$21,830,000
Pharmaceutical Research & Manufacturers of America (PhRMA)	$6,320,000	$3,120,000	$5,020,000	$14,460,000
Pharmacia & Upjohn	$1,916,512	$2,442,980	$3,910,400	$8,269,892
Pharmanex	$160,000	$180,000	$120,000	$460,000
Psychemedics Corp.	$180,000	$201,000	$140,000	$521,000
Rhone-Poulenc Rorer Inc.	$1,640,000	$1,220,000	$360,000	$3,220,000
Sepracor			$80,000	$80,000
Schering Corp.*	$2,169,880	$3,764,000	$8,464,000	$14,397,880
Schering-Plough Corporation*	$572,628	$544,000	$767,000	$1,883,628
Sidmak Laboratories	$20,000			$20,000
SmithKline Beecham	$2,600,000	$2,680,000	$2,600,000	$7,880,000
Teva Pharmaceuticals USA	$80,000			$80,000
Theragenics Corp.			$20,000	$20,000
Thermedics Inc.	$100,000	$40,000	$20,000	$160,000

Appendix B

Company	1997 Total	1998 Total	1999 Total	1997-1999 Total
The Procter & Gamble Company	$2,950,000	$3,180,000	$2,960,000	$9,090,000
Transkaryotic Therapies Inc.		$140,000	$240,000	$380,000
US Biosciences Inc.	$60,000			$60,000
Warner-Lambert Company	$1,580,000	$1,980,000	$2,240,000	$5,800,000
Wyeth-Ayerst		$140,000	$205,743	$345,743
Wyeth-Lederle Vaccines & Pediatrics	$18,000			$18,000
Totals	**$77,858,003**	**$74,259,145**	**$83,577,193**	**$235,694,341**

Source: Lobby disclosure reports filed with the Secretary of the Senate and Clerk of the House pursuant to the Lobby Disclosure Act of 1995.

Addicting Congress: Drug Companies' Campaign Cash & Lobbying Expenses

Executive Summary

The drug industry, using its connections and campaign cash, is well on its way toward blocking comprehensive Medicare prescription drug coverage for America's seniors and people with disabilities. On June 28, 2000, the U.S. House of Representatives approved a bill (H.R. 4680, the Medicare Rx 2000 Act) providing limited prescription drug benefits for Medicare recipients by the narrowest of margins -- 217 to 214. Crafted by House Republican leaders in a matter of weeks, this proposed expansion of benefits has serious shortcomings from the perspective of seniors in need of assistance: it depends on the private insurance industry and HMOs, rather than the Medicare program, to provide coverage and it will do little to contain escalating costs.

The bill is unlikely to be approved in the Senate and certain to be vetoed by President Clinton. It seems destined to provide members of Congress with "political cover" this election year, rather than to offer a workable solution that provides comprehensive drug coverage to 39 million Medicare beneficiaries and strong measures to rein in skyrocketing drug costs.

At the same time, the leading Democratic benefit plan drafted by President Clinton, while guaranteeing Medicare coverage and offering more generous benefits, lacks adequate controls over rising drug costs. Earlier this year, there was an intense struggle within the House Democratic Caucus when a significant minority opposed including in the legislation a proposal that would compel drug companies to sell to seniors at the deep discounts they already give to large government purchasers, such as the Departments of Defense and Veterans Affairs.

Why would the House pass legislation -- overwhelmingly by a Republican party line vote -- largely favoring what the drug industry recommends, rather than what is in the best interests of seniors and people with disabilities? Why have some Democrats lined up with the industry to oppose legislation giving seniors on Medicare the same drug discounts as veterans? The answer can, to a large extent, be found in that phrase made famous by actor Cuba Gooding, Jr. in the Tom Cruise movie "Jerry Maguire" -- "Show Me the Money."

That's just what Public Citizen did for this report, "Addicting Congress: Drug Companies' Campaign Cash & Lobbying Expenses." It is another in a series of reports from Public Citizen's Congress Watch that explores the relationship between special interest groups in Washington and leaders in Congress who exert enormous control over the fate of legislation that determines the profitability of major industries.

"Addicting Congress" explains that the drug industry has succeeded in blocking a comprehensive Medicare drug benefit that contains sky high drug costs because it wields enormous political power. The industry's

especially close working relationship with Republican leaders on legislative strategy is nurtured and reinforced through sizable campaign contributions and by deploying an army of well-connected lobbyists across the Capitol. The drug industry has also formed useful relationships with many Democrats who have resisted efforts to enact measures that would lower drug prices. Among the report's chief findings are the following:

- Since 1993 the drug industry has given $33.4 million in campaign contributions to candidates and parties. Moreover, its giving has grown exponentially. Contributions jumped 73 percent from the 1994 election cycle ($5.6 million) to the 1998 cycle ($9.6 million), and are projected to reach $13.8 million for the 2000 cycle -- a 43 percent increase over 1998 and a whopping 147 percent increase over 1994.

- The industry's campaign spending has become more and more partisan in favor of Republicans. Overall, 69 percent of the contributions ($23 million) have gone to Republicans and 31 percent to Democrats ($10.4 million). The Republican share has risen from 60 percent in the 1994 cycle to 73 percent thus far in the 2000 cycle.

- Companies that are members of the drug industry's trade group PhRMA (Pharmaceutical Research and Manufacturers of America), the leading opponent of proposals for a comprehensive, affordable drug benefit under Medicare, give even a greater share of their money to the Republicans. About 73 percent of PhRMA's contributions have gone to Republicans since 1993, and 77 percent thus far in the 2000 cycle.

- "Soft money" -- unlimited contributions from the companies and their executives to the political parties -- has become the favorite form of campaign contribution for the drug industry. It accounts for 55 percent of all donations ($4.5 million) thus far in the 2000 cycle. Soft money enables industry honchos to maximize their influence over congressional leaders who help raise party money and determine the legislative agenda. Eighty percent of the industry's soft money is now going to Republican party committees. It helps explain the recent overwhelmingly partisan vote for the House Republican leadership's prescription drug bill, which the drug companies favored but most public health and consumer groups opposed.

- To work its will in Congress where Medicare prescription drug legislation is written, the drug industry has redirected the bulk of its soft money away from the two national party committees to the congressional campaign committees. Republican **congressional** committee collections rose from 39 percent of the total given to all Republican party committees in the 1994 cycle to 61 percent in this cycle. Soft money to Democratic **congressional** committees went from 13 percent of the total given to all Democratic party committees in 1994 to 85 percent in 2000.

- The drug industry's soft money contributions nearly tripled from the 1994 cycle ($1.7 million) to the 1998 one ($4.6 million). If drug industry soft money spending for the 2000 election continues to rise at the rate it did in the last election, the final 2000 figure is projected at $7.5 million -- a 344 percent jump from 1994 and a 65 percent jump from 1998!

- Drug industry "hard money" contributions to candidates from company employees and Political

Action Committees help explain the recent House vote. The average drug industry contribution to proponents of the pro-industry House Republican bill was $18,984, which is 78 percent more than the $10,667 average contribution to opponents.

- Beyond contributions, the drug industry is spending vast sums on lobbying to hire well-connected people (including former members of Congress and key staff) to convey its message to Congress. Overall, the drug industry spent $235.7 million from 1997 to 1999 to lobby officials in Congress and the Executive branch. This amount does not include tens of millions more spent on television, radio and newspaper ads, direct mailings and telemarketing efforts, a considerable amount of which was done by the drug industry's front group Citizens for Better Medicare.

- Recent drug company spending on lobbying put the industry at the top of the Washington heap. Spending rose from $77.8 million in 1998 to $83.6 million in 1999 as controversy over a Medicare prescription drug benefit rose. PhRMA and its member companies spent $70 million of that 1999 total.

- On the Medicare drug benefit and pricing issue alone, companies have hired 297 lobbyists -- the equivalent of one lobbyist for every two members of Congress, an astonishing rate of coverage.

Moreover, the report reveals the cozy working relationship between Republican leaders and the drug industry and between the drug industry and "renegade" Democrats, including strategy sessions, close collaboration to craft legislation favorable to the industry and attack consumer-oriented bills, and a revolving door between Congress and the industry that will make your head spin.

Public Citizen

July 6, 2000

New Investigative Study Reveals How Congress' Addiction to Drug Industry Money Threatens Medicare Drug Bill

Report Being Released in 50 Cities as Groups Protest Drug Industry Price Gouging and Passage of U.S. House Republican Rx Bill

WASHINGTON, D.C. -- The prescription drug industry, using its connections and campaign cash, is well on its way toward blocking comprehensive Medicare drug coverage for America's seniors and people with disabilities, Public Citizen shows in an in-depth investigative report released today.

The report is being released in more than 50 cities in 25 states today as seniors, health, labor and consumer groups conduct a national day of action to "Fight for Independence from Drug Industry Price Gouging" and protest U.S. House passage of the Republican drug bill.

"By deploying an army of lobbyists and making huge campaign contributions, the drug industry has succeeded in blocking a comprehensive Medicare drug benefit that reins in sky-high drug costs," said Frank Clemente, director of Public Citizen's Congress Watch.

The report, ***Addicting Congress: Drug Companies' Campaign Cash & Lobbying Expenses,*** is especially timely as the U.S. House of Representatives last week approved a pro-drug industry bill (H.R. 4680, the Medicare Rx 2000 Act) by the narrowest of margins -- 217 to 214, largely along party lines. Crafted by House Republican leaders in a matter of weeks, this proposed expansion of Medicare benefits has serious shortcomings: It depends on the private insurance industry and HMOs, rather than the Medicare program, to provide coverage, and it will do little to contain escalating costs.

Among the report's chief findings are the following:

> The drug industry is spending vast sums on lobbying to hire well-connected former members of Congress and key staff to promote its financial interests before Congress. Overall, the drug industry spent $235.7 million from 1997 to 1999 to lobby officials in Congress and the executive branch. This amount does not include tens of millions more spent on television, radio and newspaper ads, direct mailings and telemarketing efforts.
>
> 1999 drug company spending on lobbying put the industry at the top of the Washington heap: Spending rose from $74.3 million in 1998 to $83.6 million in 1999 -- a 13 percent increase -- as public pressure to pass a Medicare prescription drug benefit mounted. On the Medicare drug benefit and pricing issue alone, companies have hired 297 lobbyists -- the equivalent of *one lobbyist for every two members of Congress*, an astonishing rate of coverage.

Since 1993, the drug industry has given $33.4 million in campaign contributions to candidates and parties. Moreover, its giving has grown exponentially. Contributions are projected to reach $13.8 million for the 2000 cycle -- a 43 percent increase over 1998 and a whopping 147 percent increase over 1994.

The industry's campaign spending has become more and more partisan in favor of Republicans. Overall, 69 percent of the contributions ($23 million) have gone to Republicans and 31 percent to Democrats ($10.4 million). The Republican share has risen from 60 percent in the 1994 cycle to 73 percent thus far in the 2000 cycle.

"Soft money" -- unlimited contributions from the companies and their executives to the political parties -- has become the favorite form of campaign contribution for the drug industry. It accounts for 55 percent of all donations thus far in the 2000 cycle. Soft money enables industry honchos to maximize their influence over congressional leaders who help raise party money and determine the legislative agenda. Eighty percent of all drug industry soft money is now being directed to Republican Party committees.

The drug industry's soft money contributions nearly tripled from the 1994 cycle ($1.7 million) to the 1998 one ($4.6 million). If drug industry soft money spending for the 2000 elections continues to rise at the rate it did in the last election, the final 2000 figure is projected at $7.5 million -- a 344 percent jump from 1994 and a 65 percent jump from 1998!

To work its will in Congress where Medicare prescription drug legislation is written, the drug industry has redirected the bulk of its soft money away from the two national party committees to the congressional campaign committees. Republican *congressional* committee collections rose from 39 percent of the total given to all Republican Party committees in the 1994 cycle to 61 percent in this cycle. Soft money to Democratic *congressional* committees went from 13 percent of the total given to all Democratic Party committees in 1994 to 85 percent in 2000.

Drug industry "hard money" contributions to candidates from company employees and political action committees help explain the recent House vote. The average drug industry contribution to proponents of the pro-industry House Republican bill was $18,984, which is 78 percent more than the $10,667 average contribution to opponents.

Moreover, the report reveals the cozy working relationship between Republican leaders and the drug industry and between the drug industry and "renegade" Democrats, including strategy sessions, close collaboration to craft legislation favorable to the industry and attack consumer-oriented bills, and a revolving door between Congress and the industry that will make your head spin.

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An Army of Lobbyists

Table 9 reveals the astonishing number of drug company lobbyists active on Medicare prescription drug benefit and pricing bills in 1999. Companies bought the services of 297 hired guns -- 83 were employed in-house and 214 were hired as contractors. This is the equivalent of one lobbyist for every 1.8 members of Congress! PhRMA led the way with 12 lobbyists in their in-house stable and 40 from the outside. Pfizer was next with five in-house and 35 out-of-house.

Table 9: Pharmaceutical/Biotech Industry Lobbyists Working on Medicare Drug Benefit and Pricing Legislation, 1999

Pharmaceutical Company	In-House	Outside
Abbott Laboratories	3	
American Home Products	3	5
Amgen	4	18
AstraZeneca		4
Aventis Pharma AG		2
Bayer Corp.		2
Biotechnology Industry Org.	6	8
Boehringer Ingelheim Pharma.		1
Bristol-Myers Squibb	4	19
DuPont Pharmaceuticals	1	
Eli Lilly & Co.	3	4
Genentech	2	10
Genzyme	2	1
Glaxo Wellcome	6	7
Hoechst Marion Roussel	3	
Hoffman-La Roche	4	1
Immunex		7
Johnson & Johnson	5	6
Merck	6	11
Novartis	4	18
Pfizer	5	35
PhRMA	12	40
Pharmacia & Upjohn		6
Procter & Gamble Co.	2	
Rhone-Poulenc Rorer	2	1
Schering-Plough		3
Serono Laboratories	1	
SmithKline Beecham	3	1
Warner-Lambert	2	
Wyeth-Ayerst		4
Total	83	214

Source: Lobby disclosure reports filed with the Secretary of the Senate and Clerk of the House pursuant to the Lobby Disclosure Act of 1995.

Appendix B

Pharmaceutical/Biotech Industry Lobbying Expenditures (1997-1999)

Company	1997 Total	1998 Total	1999 Total	1997-1999 Total
Abbott Laboratories	$893,300	$1,877,147	$6,789,000	$9,559,447
Agouron Pharmaceuticals	$20,000	$40,000	$64,000	$124,000
Allergan, Inc.	$170,000	$370,000	$400,000	$940,000
American Home Products	$2,500,000	$2,210,000	$1,400,000	$6,110,000
Amgen	$2,360,000	$1,240,000	$3,440,600	$7,040,600
Anesta Corp.		$60,000	$20,000	$80,000
Ares-Serono Laboratories, Inc.	$40,000	$80,000	$300,000	$420,000
AstraZeneca PLC	$940,000	$1,020,000	$230,000	$2,190,000
Aventis Pharma AG			$310,000	$310,000
Barr Laboratories	$160,000	$234,721	$180,000	$574,721
Baxter International	$980,000	$960,000	$1,720,000	$3,660,000
Bayer Corporation	$1,055,621	$540,000	$1,109,918	$2,705,539
Becton, Dickinson & Co.	$480,000	$620,000		$1,100,000
Biogen, Inc.	$0	$100,000	$166,000	$266,000
Biotechnology Industry Org.	$1,276,549	$3,703,990	$2,558,796	$7,539,335
Biotech Research & Develop. Corp.	$42,000	$22,000	$21,000	$85,000
Biovail Corp. International		$200,000	$50,000	$250,000
Boehringer Ingelheim Corporation	$0	$40,000	$60,000	$100,000
Boston Scientific		$20,000	$160,000	$180,000
Bristol-Myers Squibb Company	$3,780,000	$2,820,579	$3,620,000	$10,220,579
Cell Therapeutics	$100,000	$120,000	$120,000	$340,000
Cellcor Inc.	$20,000			$20,000
Centocor, Inc.	$260,000	$140,000	$280,000	$680,000
Connaught Laboratories Inc. (formerly Pasteur Merieux Connaught)	$200,000	$200,000		$400,000
Consumer Healthcare Products Assn. (formerly Nonprescription Drug Manufctrs. Assn.)	$1,320,000	$820,000	$460,000	$2,600,000
Cook Group, Inc.	$410,000	$215,000	$220,000	$845,000
Coulter Pharmaceutical		$60,000		$60,000
Council on Radionuclides & Radiopharma.	$260,000	$240,000	$280,000	$780,000
Dow Chemical Co.	$1,500,000	$1,480,000	$1,480,000	$4,460,000
E.I. DuPont de Nemours & Co.	$1,735,248	$1,870,000	$400,000	$4,005,248
Duramed Pharmaceuticals Inc.	$60,000			$60,000
Eli Lilly and Company	$3,836,442	$5,160,000	$4,590,000	$13,586,442
Fedn. of Amer. Soc. for Expermnt. Biology	$240,000	$270,000	$320,000	$830,000
Genentech, Inc.	$1,360,000	$1,060,000	$1,040,000	$3,460,000
Generic Pharma. Ind. Assoc.	$320,000	$290,000	$340,000	$950,000
Genzyme Corporation	$760,000	$589,000	$760,000	$2,109,000

Draft 7/7/00 9:20pm
Lowell Weiss

PRESIDENT WILLIAM J. CLINTON
RADIO ADDRESS ON MEDICARE
THE WHITE HOUSE
July 8, 2000

Good morning. With fewer than 40 days left on the Congressional calendar, I would like to speak with you about how we can seize this moment to modernize Medicare and help all seniors afford the prescription drugs that can lengthen and enrich their lives.

Thirty-five years ago this month, President Johnson signed the Medicare Act into law. He spoke of Medicare joining Social Security as a cornerstone of our society, upon which the hopes and dreams of generations of seniors could securely rest. He directed this nation – in his words – "never to ignore those who suffer untended in a land that is bursting with abundance."

Over these ~~past~~ nearly 35 years, Medicare has proven to be a remarkable success. Before Medicare, ~~more than~~ half of America's seniors didn't have any health coverage at all. Serious illness often wiped away in an instant all the savings families had put away over a lifetime of hard work. Today, nearly every senior has the security of basic health coverage. As a result, ~~elderly poverty has fallen dramatically, and~~ Americans over 65 have the highest life expectancy (of seniors) anywhere in the world.

Yet, for all its successes, Medicare has not fully kept pace with the miracles of modern medicine. The original Medicare law was written at a time when patients' lives were more often saved by scalpels than by pharmaceuticals ... when many of the life-saving drugs we now routinely use did not even exist. No one creating Medicare today would even consider excluding coverage for prescription drugs.

That is why we have proposed a comprehensive plan to provide a voluntary prescription-drug benefit that is affordable for all seniors ... a plan that ensures that all Medicare beneficiaries – no matter where they live or how sick they are – will pay the same affordable premiums ... a plan that covers catastrophic drug costs ... a plan that is part of an overall effort to strengthen and modernize Medicare – so we won't have to ask our children to shoulder our burden when we retire.

Across the nation, we have seen a great outpouring of support for adding such a prescription-drug benefit. And yet, I am increasingly concerned that efforts in Congress are bogging down. One reason for this is clear: the pharmaceutical industry has unleashed a shameless, scorched-earth campaign to thwart the will of the vast majority of Americans.

An industry-funded group calling itself Citizens for Better Medicare has flooded the airwaves with negative ads against our plan. And just this week, we learned that the drug companies have enlisted nearly 300 hired-gun lobbyists – more than one for every two Members of Congress – and paid them to do everything in their power to block all meaningful reforms. All told, the drug industry has spent a staggering 236 million dollars on its lobbying efforts. These millions would be far better spent on research for new medicines.

Today, I call on the Congress to reject the reckless campaign of this narrow special interest and act together in the public interest. A few weeks ago, I put forth a good-faith proposal to do just

that. I said that if Congress will agree to pass a plan that offers affordable Medicare prescription drug coverage to all seniors and people with disabilities while protecting our hard-won fiscal discipline, then I will sign a marriage-penalty relief law of equal size.

At this time of year, it is natural that we begin to think ahead to Election Day. But let us keep in mind, as well, the spirit of common purpose we just celebrated on Independence Day. That is the spirit I hope Members of Congress will bring back to our nation's capital when they return to work on Monday.

If they do, we can use the precious weeks ahead not only to offer an affordable prescription-drug benefit to all seniors. Working together, we can also pass a strong patients' bill of rights and meaningful hate-crimes legislation. We can give American farmers and businesses new access to China's markets and bring prosperity to places that have been left behind. We can enhance protection for our environment and give our children smaller classes, better-trained teachers, and modern schools. At a time when America is once again "bursting with abundance," there should be no limit on what we can achieve. Thanks for listening.

# # #

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We can enhance protection for our environment and give our children smaller classes, better-trained teachers, and modern schools. At a time when America is once again "bursting with abundance," there should be no limit on what we can achieve. Thanks for listening.

# # #

July 8, 2000

Ominous Start for Program to Insure Drugs for Elderly

By ROBERT PEAR

CARSON CITY, Nev., July 7 -- Nevada has adopted a prescription drug program for the elderly very similar to one approved last month by the United States House of Representatives, but it is off to a rocky start.

The Associated Press

Gov. Kenny Guinn of Nevada remains a staunch supporter of his pharmaceutical plan for the state's low-income elderly residents.

Insurance companies have spurned Nevada's invitation to provide coverage. The risks and the costs are too high, they say, and the subsidies offered by the state are too low.

Related Article

• Issue in Depth: Health Care

Nevada's experience offers ominous lessons for Congress, especially Republicans, who want to subsidize insurance companies to entice them into providing drug benefits to elderly and disabled people on Medicare.

States often portray themselves as the laboratories of democracy where good ideas originate and are tested, and Nevada's governor, Kenny Guinn, a Republican, was far ahead of Washington in trying to address the needs of the elderly in buying prescription drugs. Governor Guinn signed the legislation creating the program on June 9, 1999, three weeks before President Clinton unveiled his proposal to add drug benefits to Medicare. But Nevada officials say Mr. Guinn's ideas may need more work in the laboratory before they can be put into effect nationwide.

Nevada was prepared to use 15 percent of the $1.2 billion it expected to receive over the next 25 years from the settlement of its lawsuit against tobacco companies -- $4.6 million this year, $37

million over six years -- to subsidize drug benefits for elderly people with incomes of less than $21,500 a year.

In March, the state invited hundreds of insurance companies to bid for its business, providing drug coverage for 10,000 to 14,000 people age 62 or older. Only one company responded, but it was ineligible because it was not licensed to sell insurance in Nevada. The state revised its invitation and reissued it on June 29, with an Aug. 29 deadline for submission of proposals.

Barbara E. Buckley, a state assemblywoman who is co-chairwoman of a task force monitoring use of the money, said: "I have my doubts that an insurance company will be able to offer meaningful drug benefits under this program. If an insurance company does bid on it but the benefits are paltry, senior citizens will be up in arms."

The task force has refused to authorize the release of any money until it sees details of a drug program, like the eligibility criteria, premiums, deductibles, co-payments and benefit limits. Most of those details will be decided by the successful bidder.

Ed Fend, a retired Navy captain who serves on the task force, said he was surprised at the insurance industry's failure to respond to the state's initial invitation. Asked why insurers did not show more interest, Mr. Fend said: "Probably because they don't think they can make any money. If they thought they could make a reasonable amount of money, they would probably buy into the program and bid on it."

The Nevada program, created by the State Legislature last year at the governor's request, resembles the Republican plan approved in the United States House of Representatives on June 28 by vote of 217 to 214, largely on party lines.

Representative Shelley Berkley, Democrat of Las Vegas, said she did not understand why Congress would try to copy a troubled state program.

"Why in the world, when it is not yet functioning" for the thousands of low-income seniors in Nevada, "would we try to replicate it for the millions of seniors who are desperately in need of affordable prescription medications?" Ms. Berkley asked.

Governor Guinn said he remained "fully committed" to carrying out the program, known as Senior Rx. He complained that Ms. Berkley had made "a bitter partisan attack on a program which will benefit thousands of Nevada's low-income senior citizens, both Republican and Democrat."

Under the Nevada program, state officials say, premiums should be in the range of $45 to $60 a month. The state would pay up to $40 of that amount, based on the patient's income; the patient would pay the rest.

In Washington, the Health Insurance Association of America has repeatedly told Congress that its members are not interested in selling "drug only" insurance to the elderly. House Republicans

have insisted that if Congress provides the money, insurers or other companies will step forward to offer coverage. Nevada's experience raises questions about that argument.

The state offered millions of dollars in subsidies, but insurers were skittish.

"They didn't understand what we were looking for," said Scott Scherer, chief of staff to Governor Guinn. "They were confused by the first request for proposals."

On the other hand, Nevada's experience tends to confirm a point made repeatedly by Republicans in Congress: private insurers need freedom to design drug benefits as they think best.

Denice L. Miller, senior policy adviser to Governor Guinn, summarized the lesson this way: "Let the insurers be creative. Let them be flexible. Let seniors have some choices."

Medicare generally does not cover prescription drugs for people outside a hospital. Democrats in Congress want to offer the same drug benefits, with the same premiums, to all Medicare recipients. Republicans reject that approach. Under the House-passed bill, premiums, benefits and co-payments could vary from one private drug plan to another, so long as the overall value was equivalent to that of a standard policy defined by the federal government.

At least 14 states, including New York, New Jersey and Connecticut, have programs to help older people obtain prescription medicines. In most cases, the state itself is the insurer, reviewing claims, paying pharmacies and deciding which drugs a patient may receive. Nevada, rather than paying for drugs outright, is the first state to develop a program that uses subsidies to help people buy private drug insurance of the type envisioned by many Republicans in Congress.

Here, as in Washington, insurers worry that the people who buy drug coverage will tend to be the sickest people, those who need it most. State Senator Raymond D. Rawson, a Republican, said insurance companies were "very worried" about this phenomenon, known as adverse selection.

Marie H. Soldo, executive vice president of Sierra Health Services of Las Vegas, the largest managed care company in the state, said: "Insurers are unwilling to bear the entire financial risk of drug coverage. The rapidly rising cost of pharmacy benefits does not allow that."

The only company that responded to the state's first solicitation was Mature Rx Plus of Nevada. It was set up this year by FFI Health Services, a privately held company based in Macedonia, Ohio. James J. Mindala, chief executive of FFI, said the company was seeking a Nevada license and still hoped to participate in the program here. FFI was acquired this week by Advance Paradigm of Irving, Tex., a provider of health-benefit management services.

The Nevada program had broad bipartisan support when it was

created under a bill passed unanimously by both houses of the Legislature in May 1999. But since then, prescription drugs have become a major issue at the national level defining philosophical differences between the parties, and specifically between the Republican and Democratic candidates for Nevada's open seat in the United States Senate.

Indeed, the Democratic candidate for the Senate, Ed Bernstein, has made prescription drugs the central issue of his campaign against John Ensign, the Republican, who served in the House from 1995 to 1999.

Mr. Bernstein, a lawyer, flew to Tijuana, Mexico, last month with a group of eight Nevadans to call attention to the lower prices charged for prescription drugs south of the border. Back in Reno, he dumped $100,000 in cash on the ground in front of a drug company distribution center; it was, Mr. Bernstein said, a symbol of the campaign contributions that Mr. Ensign has taken from drug manufacturers. Mr. Bernstein has toured the state in a recreational vehicle, the "Rx R.V.," talking about the need to make medicines more affordable.

For his part, Mr. Ensign says the Nevada program should be given time to work.

The insurers' role in the Nevada program is similar to that provided in the House Republican bill. In its invitation to insurers, the state said it wanted them to "provide prescription drug and pharmaceutical services" to the elderly, to market the approved insurance policies and to set up a network of drugstores to fill prescriptions. The insurers are also expected to offer mail-order pharmacy services and could establish a list of preferred drug products, known as a formulary.

Nevada officials, like federal officials, hope to use the leverage of their purchasing power to obtain discounts on drugs. Insurers could set monthly or annual limits on benefits, but subscribers could still buy drugs at a discount after they reached the limit on drugs covered by their insurance policy.

The population of Nevada has been growing faster than that of any other state. The number of Nevadans age 65 and older now exceeds 210,000, an increase of more than 60 percent since 1990.

Draft 7/7/00 9:20pm
Lowell Weiss

PRESIDENT WILLIAM J. CLINTON
RADIO ADDRESS ON MEDICARE
THE WHITE HOUSE
July 8, 2000

Good morning. With fewer than 40 days left on the Congressional calendar, I would like to speak with you about how we can seize this moment to modernize Medicare and help all seniors afford the prescription drugs that can lengthen and enrich their lives.

Thirty-five years ago this month, President Johnson signed the Medicare Act into law. He spoke of Medicare joining Social Security as a cornerstone of our society, upon which the hopes and dreams of generations of seniors could securely rest. He directed this nation – in his words – "never to ignore those who suffer untended in a land that is bursting with abundance."

Over these ~~past~~ nearly 35 years, Medicare has proven to be a remarkable success. Before Medicare, ~~more than~~ half of America's seniors didn't have any health coverage at all. Serious illness often wiped away in an instant all the savings families had put away over a lifetime of hard work. Today, nearly every senior has the security of basic health coverage. ~~As a result, elderly poverty has fallen dramatically, and~~ Americans over 65 have the highest life expectancy anywhere in the world.

Since ~~that~~ the ~~time~~ of seniors

Yet, for all its successes, Medicare has not fully kept pace with the miracles of modern medicine. The original Medicare law was written at a time when patients' lives were more often saved by scalpels than by pharmaceuticals … when many of the life-saving drugs we now routinely use did not even exist. No one creating Medicare today would even consider excluding coverage for prescription drugs.

That is why we have proposed a comprehensive plan to provide a voluntary prescription-drug benefit that is affordable for all seniors … a plan that ensures that all Medicare beneficiaries – no matter where they live or how sick they are – will pay the same affordable premiums … a plan that covers catastrophic drug costs … a plan that is part of an overall effort to strengthen and modernize Medicare – so we won't have to ask our children to shoulder our burden when we retire.

Across the nation, we have seen a great outpouring of support for adding such a prescription-drug benefit. And yet, I am increasingly concerned that efforts in Congress are bogging down. One reason for this is clear: the pharmaceutical industry has unleashed a shameless, scorched-earth campaign to thwart the will of the vast majority of Americans.

An industry-funded group calling itself Citizens for Better Medicare has flooded the airwaves with negative ads against our plan. And just this week, we learned that the drug companies have enlisted nearly 300 hired-gun lobbyists – more than one for every two Members of Congress – and paid them to do everything in their power to block all meaningful reforms. All told, the drug industry has spent a staggering 236 million dollars on its lobbying efforts. These millions would be far better spent on research for new medicines.

Today, I call on the Congress to reject the reckless campaign of this narrow special interest and act together in the public interest. A few weeks ago, I put forth a good-faith proposal to do just

that. I said that if Congress will agree to pass a plan that offers affordable Medicare prescription drug coverage to all seniors and people with disabilities while protecting our hard-won fiscal discipline, then I will sign a marriage-penalty relief law of equal size.

At this time of year, it is natural that we begin to think ahead to Election Day. But let us keep in mind, as well, the spirit of common purpose we just celebrated on Independence Day. That is the spirit I hope Members of Congress will bring back to our nation's capital when they return to work on Monday.

If they do, we can use the precious weeks ahead not only to offer an affordable prescription-drug benefit to all seniors. Working together, we can also pass a strong patients' bill of rights and meaningful hate-crimes legislation. We can give American farmers and businesses new access to China's markets and bring prosperity to places that have been left behind. We can enhance protection for our environment and give our children smaller classes, better-trained teachers, and modern schools. At a time when America is once again "bursting with abundance," there should be no limit on what we can achieve. Thanks for listening.

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PRESIDENT CLINTON URGES THE CONGRESS TO ACT NOW TO PASS A MEANINGFUL MEDICARE PRESCRIPTION DRUG BENEFIT
July 8, 2000

Today, in his weekly radio address, President Clinton will urge the Congress to recommit itself to passing an affordable Medicare prescription drug benefit option for all Medicare beneficiaries as they return from the July 4th recess. The President will criticize the pharmaceutical industry for unleashing a multi-million dollar lobbying and ad campaign designed to thwart the desires of the vast majority of Americans to pass a meaningful Medicare prescription drug benefit option. In so doing, he will call on the Congress to reject the narrow special interest campaign and act together on a bipartisan basis to respond to the public interest. The President will reiterate his commitment to work in good faith to that end, citing his recent proposed compromise to sign into law marriage penalty relief provisions if the Congress also sends him a voluntary Medicare prescription drug benefit that is affordable and available to all seniors and eligible people with disabilities.

MILLIONS OF MEDICARE BENEFICIARIES HAVE NO OR UNDEPENDABLE PRESCRIPTION DRUG COVERAGE. Over 13 million Medicare beneficiaries have no drug coverage, and over three in five beneficiaries have undependable drug coverage. Medigap and managed care prescription drug coverage is either expensive, extremely limited, and / or unavailable. Moreover, over half of the Medicare beneficiaries who lack drug coverage altogether have incomes greater than 150 percent of poverty ($12,525 for a single, nearly $17,000 for a couple). Seniors and people with disabilities on Medicare without drug coverage fill 30 percent fewer prescriptions than those with coverage, but pay 83 percent more out-of-pocket for drugs. Today, the President will:

CRITICIZE IRRESPONSIBLE LOBBYING CAMPAIGN AGAINST A TRUE MEDICARE PRESCRIPTION DRUG BENEFIT. Recent reports indicate that the drug industry has spent over $236 million and hired almost 300 lobbyists – more than one for every two Members of Congress – to attack the Administration's prescription drug proposal. One industry-funded group, Citizens for Better Medicare, dedicated up to $65 million for ads and other lobbying efforts designed to defeat a prescription drug benefit that is available and affordable for all Medicare beneficiaries.

URGE CONGRESS TO REJECT SPECIAL INTEREST GROUPS LOBBYING AGAINST AN AFFORDABLE MEDICARE BENEFIT OPTION. President Clinton will call on the Congress to place Medicare beneficiaries' interests over those of the special interests and craft a bipartisan bill that is affordable and available to all beneficiaries.

CALL ON THE CONGRESS TO ACT IN A BIPARTISAN FASHION AND CRAFT A MEANINGFUL MEDICARE PRESCRIPTION BENEFIT. With only 40 days left in the legislative session, President Clinton will urge the Congress to act now to design a meaningful and accessible prescription drug benefit option for all Medicare beneficiaries. To that end, the President has proposed a voluntary Medicare prescription drug benefit that would begin in 2002 and, in return for a $25 premium, provide prescription drug coverage that would have a zero deductible and cover half of all prescription drug costs up to $5000 when fully phased in as well as limiting all out-of-pocket medication costs to $4000. This optional benefit would also provide negotiated discounts that would ensure that Medicare beneficiaries no longer pay the highest prices in the marketplace. The President's proposal is part of a broader set of reforms that would take the Medicare Trust Fund off budget, extending its life to at least 2030, make the program more efficient and competitive, and dedicate $40 billion over 10 years to improve health care provider payment rates.

REITERATE HIS OFFER TO THE REPUBLICAN LEADERSHIP TO WORK TOGETHER ON TARGETED TAX RELIEF IN CONJUNCTION WITH PROGRESS ON PRESCRIPTION DRUGS. Today, the President will reiterate his offer to the Republican leadership to move forward on priorities for American families in a fiscally responsible manner. The President's offer builds on bipartisan consensus on three issues: first, the Congress should agree to the Vice President's proposal to lock away Social Security and Medicare surpluses for debt reduction, and to help extend the life of the Trust Fund; second, American families should have marriage penalty tax relief; and third, seniors and people with disabilities on Medicare need an affordable Medicare prescription drug benefit. The President will repeat his offer that if the Congressional leadership agrees to an overall framework of fiscal discipline that takes Medicare off-budget, he would be willing to sign broader marriage penalty relief legislation if the Congress will pass his prescription drug plan.

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