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FEDERAL LEGISLATION

DRUG PRICING

WASHINGTON, D.C.—Capitol Hill is at work drafting a law that would emphasize drug pricing as a way of lowering national health care costs. But industry critics say that such a proposal to mandate the classification and use of prescription drugs in the Medicaid program would hurt competition and discourage development of innovative products.

The bill is being drafted by Senator David Pryor (D-AR), who is a member of the Senate Committee on Finance, which has jurisdiction over the Medicaid Program. Known as the Prescription Pharmaceuticals Access and Prudent Purchasing Act (PAPPA), the bill would mandate regional prescription drug price negotiations, according to Lisa Raines of the Industrial Biotechnology Association (IBA, Washington, DC), which opposes the legislation.

PAPPA seeks to create a national pharmacy and therapeutics committee attached to the Department of Health and Human Services that would classify therapeutic drugs into "equally safe and effective" groups, Raines says. Once these groups are established, the states would be required to adopt them and then form "buying groups" to negotiate prices for drugs in each designated category. Low bidders would obtain the status of "preferred drug" for their products, which then would be entitled to Medicaid reimbursement. Pharmacies that rely on such classification schemes would be indemnified from liability claims, but drug manufacturers or clinicians who prescribe particular drugs for patients would not be.

From a company standpoint, PAPPA would create "a monopoly in each drug class, with multistate buying groups... That would be devastating for new biotechnology companies," Raines says. "Small companies with only one or two products can't compete with large companies that can subsidize their Medicaid drugs." Moreover, although many drugs are used for treating more than one disease, such a classification scheme may make them harder to obtain or pay for under the Medicaid program.

PAPPA is "bad medicine for patients and bad for the industry," Raines says. "We've got drugs that reduce hospital stays and infections, but those cost savings are not being factored in. Such federally imposed drug pricing would have a negative impact on investment in biotech drug research."

—Jeffrey L. Fox

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