

## Executive Summary

To help push through Medicare prescription drug legislation that will safeguard their bottom lines at the expense of America's taxpayers, the pharmaceutical industry, HMOs and related interests spent nearly \$141 million on Washington lobbying in 2003. Drug companies, HMOs, their trade associations and industry-funded advocacy groups deployed at least 952 lobbyists to do their bidding on Capitol Hill and at the White House.

Public Citizen has conducted an annual study of Washington lobbying by the pharmaceutical industry since 1997. The extent of the pharmaceutical industry's latest lobbying blitz recently became clear with the release of federal lobbying disclosure records for 2003. Public Citizen's analysis of these documents shows:

- In 2003, the drug industry – broadly defined as brand-name, generic and biotech drugmakers, select biomedical device makers, pharmacy benefit managers and distributors, and related advocacy groups – spent a record \$108.6 million on federal lobbying activities.
- The drug industry hired 824 individual lobbyists in 2003 – an all-time high. That's more than eight lobbyists for each member of the U.S. Senate. In 2002, based on a more narrowly defined survey, the drug industry spent \$91.4 million and hired 675 lobbyists.
- The Pharmaceutical Research & Manufacturers of America (PhRMA), which represents more than 40 brand-name drug companies, shelled out more than \$16 million last year, a 12.5 percent increase from the year before. PhRMA alone hired 136 lobbyists, 24 more than in 2002.

The drug companies weren't the only big winners from the Medicare bill. HMOs and other managed-care health plans have plenty of reasons to cheer the new law, which may increase their revenues by as much as \$531.5 billion, according to the Medicare actuary. Passage of the bill was preceded by intense industry lobbying in Washington. Public Citizen's analysis of lobbying disclosure records for HMOs and health plans found:

- Managed care companies that lobbied on the Medicare bill spent \$32.3 million on federal lobbying in 2003.
- HMOs and health plans hired 222 lobbyists to lobby on the Medicare bill last year – 42 percent of whom also represented the drug industry.
- The Blue Cross Blue Shield Association spent more on lobbying than any other health plan in 2003, shelling out \$8.1 million. The two major industry trade associations – the American Association of Health Plans (AAHP) and the Health Insurance Association of America (HIAA), which merged in October 2003 – spent a combined \$8.3 million last year. Five other HMOs spent at least \$1 million each on lobbying.

Both the pharmaceutical and managed care industries relied heavily on lobbyists with “revolving door” connections to Congress, the White House and the executive branch. Close to half of all the lobbyists hired by drug companies, HMOs and related interests previously worked for the federal government:

- In all, 431 lobbyists working for the drug industry or HMOs – or 45 percent of all their lobbyists – have spun through the “revolving door” between K Street and the federal government, leaving their government jobs for lucrative lobbying positions.
- Among those lobbyists were 30 former U.S. senators and representatives – 18 Republicans and 12 Democrats.

Passage of the Medicare bill set in motion an exodus from the Bush administration. At least four key officials appointed by the president have left the administration to help their new industry clients benefit from the Medicare bill that they wrote or promoted:

- **Tom Scully**, chief administrator for the Centers for Medicare and Medicaid Services (CMS) – and Bush’s lead negotiator on the prescription drug bill – began negotiating with half a dozen potential employers while still haggling with Congress over the Medicare legislation. Scully eventually accepted jobs from both the lobbying firm Alston & Bird and the private equity investment firm Welsh, Carson, Anderson & Stowe. Since Scully came on board, Alston & Bird has signed up at least a dozen new health care clients, including Abbott Laboratories and Aventis Pharmaceuticals.
- Just a day after the Medicare bill was signed into law, **Thomas Grissom**, director of the Center for Medicare Management, jumped ship to become the top lobbyist for medical device maker Boston Scientific. As a top official at CMS, Grissom was in charge of developing reimbursement policies and regulations for the Medicare fee-for-service program and overseeing Medicare’s \$240 billion contractor budget.
- In January 2004, **Dallas “Rob” Sweezy**, director of public and intergovernmental affairs at CMS, joined National Media Inc. – the advertising firm hired by the Bush administration to produce television ads touting the new Medicare law. In May, Sweezy moved over to the lobbying firm Loeffler Jonas and Tuggey, which represents Bristol-Myers Squibb, Purdue Pharma, First Health and PacifiCare.
- **James C. Capretta**, the top official on Medicare policy development at the Office of Management and Budget (OMB), left the White House in mid-June 2004 to join Wexler & Walker Public Policy Associates. Amgen, Hoffman-LaRoche, PacifiCare and Wyeth are among the firm’s clients.

At least 11 top staffers who earlier had left the Bush administration lobbied for the drug industry and HMOs in 2003. White House and administration insiders now working as lobbyists include:

- **Jack Howard**, a former deputy director of legislative affairs for President Bush, who now works at Wexler & Walker Public Policy Associates. From 2001 to 2003, Howard

promoted the president's agenda in Congress as the second-ranking member of the White House legislative affairs operation. Howard's current clients include Amgen, PacifiCare and Wyeth.

- As a special assistant to the president for legislative affairs, **Dirksen Lehman** served as the chief White House liaison to the Senate for Medicare, Medicaid and other health care regulations. Lehman became a lobbyist for Clark & Weinstock in May 2003. During the Medicare debate, he focused on key Senate committees on behalf of clients such as Aventis Pharmaceuticals, Novartis and PhRMA.
- **Robert Marsh**, another White House legislative affairs staffer, has been connected to White House Chief of Staff Andrew Card since George H.W. Bush's first presidential run in 1979. Marsh left the White House in 2003 to join the OB-C Group, where he has represented the Blue Cross Blue Shield Association and WellPoint.
- As deputy director of the White House Office of Public Liaison, **Kirk Blalock** regularly strategized with Karl Rove and rallied business support for the president's tax cuts and other issues. Among his clients at Fierce, Isakowitz & Blalock – the firm he joined in 2002 – are the Generic Pharmaceutical Association and the Health Insurance Association of America. Blalock is also a leading fundraiser for President Bush.
- Barbour, Griffith & Rogers hired **Robert Wood**, former chief of staff for HHS Secretary Tommy Thompson, in June 2003. Wood directs state affairs at Barbour Griffith, but lobbied Congress on behalf of Bristol-Myers Squibb, GlaxoSmithKline, Pfizer, PhRMA and the United Health Group.

Another six top congressional staffers at the center of negotiations over the Medicare bill also have cashed in on K Street:

- As the lead Senate staff member for the Medicare conference committee, **Linda Fishman** briefed House and Senate members and staff on a daily basis and worked closely with leadership in both chambers on the prescription drug legislation. She since has joined Hogan & Hartson, whose clients include GlaxoSmithKline and PhRMA, as a health policy adviser.
- Just three days after the signing of the Medicare law, for which he was one of the lead Senate negotiators, **Colin Roskey** left his job as health policy adviser and counsel for the Senate Finance Committee to take a position with Alston & Bird – the same firm that hired former Medicare chief Tom Scully.
- As staff director of the House Ways and Means Committee's health subcommittee, **John McManus** was one of the key architects of the Medicare legislation. However, just two months after the Medicare bill became law, McManus started his own health care consulting firm, the McManus Group. His new clients include PhRMA and Genentech.

- **Patrick Morrissey**, who served as the deputy staff director and chief health counsel for the House Energy and Commerce Committee under Rep. Billy Tauzin (R-La.), was hired in March 2004 by Sidley Austin Brown & Wood, a lobbying firm that represents PhRMA, Genentech and the Biotechnology Industry Organization (BIO). Morrissey's colleague **James White** left his position as Tauzin's legislative director to join Abbott Laboratories in January.
- **Sarah Walter** departed from her position as legislative director and chief health policy adviser for Sen. John Breaux (D-La.), one of the two Democrats who participated in negotiations over the Medicare bill, to take a position with Venn Strategies – whose clients include Eli Lilly.

But the revolving door spins both ways. Several prominent drug industry and HMO lobbyists have moved into the Bush administration where they are in a position to promote the interests of their former employers:

- **Doug Badger** became Bush's top health policy adviser after helping to bring in more than \$1 million for Washington Council Ernst & Young in 2002 from clients like Aventis Pharmaceuticals, Baxter Healthcare, Biogen, Eli Lilly, Johnson & Johnson and Pfizer.
- **Julie Goon**, a former lobbyist for the AAHP, was hired by HHS in January 2004 as first special assistant to Secretary Thompson. As director of Medicare outreach, Goon is leading the agency's PR efforts touting the benefits of the new prescription drug benefit.
- The October 2003 merger of AAHP and HIAA left **Don Young**, HIAA's president, out in the cold. But Young wasn't unemployed for long. He soon joined HHS as a deputy assistant secretary in charge of the Office of Health Policy.
- **Ann-Marie Lynch**, the principal assistant deputy secretary for planning and evaluation at HHS, is a former lobbyist for PhRMA.

Drug industry and HMO executives and lobbyists also ranked among the elite fundraisers in federal elections.

- Twenty-one executives and lobbyists achieved "Ranger" or "Pioneer" status by raising at least \$200,000 or \$100,000, respectively, for President Bush in the 2000 or 2004 campaigns. These Rangers and Pioneers have collected at least \$3.4 million for Bush.
- The Rangers and Pioneers include five executives from brand-name drug companies, six officials from HMOs or managed care plans, the CEO of a pharmacy services company that runs a PBM, the head of a direct-mail pharmacy, and eight prominent Washington lobbyists who represent drug companies and HMOs.
- In addition, two of presumptive Democratic nominee John Kerry's biggest backers were lobbyists on the drug industry payroll in 2003.