

Citizens for Better Medicare

The Truth Behind the Drug Industry's
Deception of America's Seniors



June 2000

Note on Methodology

In addition to media reports, information on Citizens for Better Medicare's member organizations was gathered from their IRS-990 financial disclosure forms, their annual reports and data provided by The Foundation Center, located in Washington, D.C.

Acknowledgments

Everett Fellow John McCoy wrote this report, based on extensive research conducted by Grassroots Media Coordinator Sean Crowley, Legislative Assistant Nathaniel Parry, and Senior Researcher Michael Surrusco. Frank Clemente, director of Public Citizen's Congress Watch, supervised the project and provided substantial editorial direction.

About Public Citizen

Public Citizen is a non-profit 150,000 member organization based in Washington, D.C., representing consumer interests through lobbying, litigation, research and public education. Since its founding by Ralph Nader in 1971, Public Citizen has fought for consumer rights in the marketplace, safe and secure health care, fair trade, clean and safe energy sources, and corporate and government accountability. Public Citizen has six divisions and is active in every public forum: Congress, the courts, governmental agencies and the media.

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Citizens for Better Medicare

The Truth Behind the Drug Industry's Deception of America's Seniors

Executive Summary

Over the last year, the prescription drug industry has buffeted Americans with wave after wave of deceptive advertising, part of a sophisticated campaign to protect the firms' multi-billion-dollar profits. The drug lobby's goal is single-minded: avoid any kind of Medicare drug coverage that reins in skyrocketing drug costs. The campaign's effect so far has been to deny America's senior citizens and people with disabilities a Medicare prescription drug benefit.

To carry out this campaign, the drug companies' regular lobby, the Pharmaceutical Research and Manufacturers of America (PhRMA), created the innocuous-sounding Citizens for Better Medicare (CBM) to serve as its front group. Through CBM, they have budgeted at least \$65 million for television advertising since July 1999. This air battle has been supplemented with radio, print and Internet ads, along with direct mail appeals from CBM and its member groups.

In looking at CBM's advertising and the drug industry's lobby disclosure reports, it's clear that the pharmaceutical giants prefer the safety of the status quo and support very little in the way of reform. Two main pieces of legislation are drawing their fire. One is the Clinton prescription drug proposal, which would add a new benefit under Medicare, rather than rely on private insurance companies and HMOs to provide coverage. Industry leaders say a federal benefit will lead to cost-cutting efforts that will cut into their profit margins.

The other bill that the drug lobby opposes is the Prescription Drug Fairness for Seniors Act (H.R. 664/S. 731, also known as the Allen bill for its House sponsor, Rep. Tom Allen, D-Maine). The bill would require drug companies to give deep discounts to local pharmacies for prescriptions that the pharmacies sell to Medicare beneficiaries. The resulting savings for Medicare beneficiaries would be about 40-50 percent, which is about what large purchasers like the Departments of Defense and Veterans Affairs save. It is also close to the amount that individual seniors can save by buying their drugs in Canada.

In CBM's television ads, Americans were first introduced to "Flo," a skeptical senior often spotted with her friends at the bowling alley. She repeatedly tried to scare seniors with the specter of a "big government" program. The drug industry tapped a real Willy Wonka character to play "Flo." The actress, Diana Sowle, played Charlie Bucket's mother in "Willy Wonka and the Chocolate Factory." But no amount of acting or magical television trickery can turn Citizens for Better Medicare into a grassroots organization representing seniors.

Public Citizen researched CBM's self-described "broad-based bipartisan group" and found a collection of shills, seedy direct-mail operatives and industry-funded research and lobby groups working in tight coordination with the drug lobby. Among this report's findings:

- CBM's so-called "broad-based" coalition is a sham. Its director, Tim Ryan, was the marketing director for PhRMA, before joining CBM, and he admits in interviews that CBM is overwhelmingly funded by PhRMA.
- CBM is a secretive political group organized under Section 527 of the federal tax code, which covers groups whose purpose is to influence or attempt to influence elections. Taking advantage of a notorious tax loophole, CBM does not have to even report its existence, much less its activities, to either the IRS or the public. So the public can only guess about the scale and cost of its political efforts to protect the prescription drug industry. According to available press reports, which are necessarily incomplete, CBM has budgeted at least \$65 million since July 1999 to blanket the airwaves with their misleading message.
- CBM's members include The Seniors Coalition, the 60 Plus Association and the United Seniors Association. These direct mail specialists have been denounced by Republicans and Democrats alike for their scare tactics, which involve frightening seniors with overblown threats to their retirement benefits and asking them to send money to support the groups' questionable lobbying efforts. This trio has been the subject of numerous investigations in the 1990s.
- The Seniors Coalition joined CBM in slamming supporters of the Allen bill with a direct mail campaign in Oregon, Colorado and Minnesota, timed to coincide with CBM's television ads. The coalition brazenly promotes its "corporate partnerships," on its website, in effect selling their services to corporate spin doctors. They ask: "Are your expensive education and lobbying efforts hampered due to the lack of effective consumer support? Would an army of more than 3 million seniors -- including 7,000 grass roots activists -- working on important legislative/regulatory issues be valuable? ONE POWERFUL SOLUTION: TEAM UP WITH THE SENIORS COALITION!"
- CBM has enlisted several seemingly independent disease groups, but their tax returns show that some are highly dependent on funding from the drug industry. For example, the Association of Black Cardiologists received about 80 percent of its revenue from pharmaceutical firms in 1996-97, the last years for which donor information is available. This year, they received a \$2.2 million grant from PhRMA member Bristol-Myers Squibb.
- Other CBM groups with substantial ties to the pharmaceutical industry have been active in state-level fights, publicly opposing Maine's groundbreaking law to bring down the price of prescription drugs. The Alliance for Aging Research has many pharmaceutical industry members on its board of directors, and the Kidney Cancer Association received \$493,500 (nearly 19 percent of its revenue) from the pharmaceutical industry from 1996-1998.

- In addition to CBM, the drug lobby coordinates its activities with a range of conservative organizations that also appear independent on first glance but are heavily funded by the industry. Citizens for a Sound Economy, a conservative think tank, takes corporate grants to produce “research” on topics that directly affect those corporations. CSE has several drug industry donors and took \$250,000 from PhRMA member Johnson & Johnson in 1998. It released a study attacking the Allen bill in February 2000.

CBM’s campaign has seen four major waves, each precisely calibrated to attack supporters of common sense reform. After President Clinton announced his prescription drug plan in June 1999, the issue of drug prices saw a flurry of media attention. On July 15, drug industry leaders met to coordinate a \$30 million advertising buy, and “Flo” was born later that month. In the summer and fall, many members of Congress released studies on price discrimination in their districts, showing how seniors without prescription drug coverage were being price gouged by drug companies. The drug industry responded with a \$1.5 million barrage of television, radio, print and Internet banner ads in Oregon, Minnesota, Iowa and Colorado. They targeted vulnerable House Democrats and accused them of “playing politics” with the issue. These ads were followed up with direct mail from the Seniors Coalition. In addition, CBM ran ads supporting one of the industry’s chief Democratic champions on Capitol Hill, Rep. Cal Dooley of California, who had a primary fight.

In January 2000, the Clinton administration, tired of the onslaught, threatened to slam the industry in the President’s final State of the Union address. The drug industry launched a new, friendlier set of ads, with Flo expressing optimism that Washington could make progress toward a prescription drug benefit. President Clinton went easy on the industry in his January 27 speech, and the drug firms’ stock prices got a boost from a relieved Wall Street.

The truce, however, was a sham. The drug industry kept its coalition of shills on task to produce a bevy of studies that cast doubt on the need to reduce drug prices as part of a Medicare proposal. By March, in response to many news reports of bus trips to Canada to buy drugs at a deep discount, CBM responded with new ads that slammed the Canadian health system and attempted to scare seniors with the specter of rationing and supposed threats to research. They also began running ads attacking Montana’s Democratic Senate candidate Brian Schweitzer, who led a widely reported bus trip to Canada.

Ironically, by June of 2000, the drug industry has come so far that it has begun to co-opt its opponents’ most effective message. In full-page ads around the country, PhRMA is touting a study saying that drug prices can be cut 30-40 percent under a private insurance scheme. This is clearly an attempt to steal the Allen bill’s thunder and undermine support for allowing Medicare to negotiate lower drug prices.

Despite the numerous changes of strategy and message one thing has remained consistent about the Citizens for Better Medicare campaign: the drug industry will do whatever it takes — tell lies, distort and spend gobs of money — to block a Medicare drug program that does the one thing necessary to make it affordable — rein in skyrocketing drug costs.

Citizens for Better Medicare

The Truth Behind the Drug Industry's Deception of America's Seniors

Introduction

Citizens for Better Medicare (CBM) burst onto the scene in July 1999 with a national blitz of television ads. It attacked President Clinton's proposal to add a prescription drug benefit to the Medicare program in a cynical effort to scare and confuse the nation's senior citizens. The ads featured a fictional senior named "Flo" who warned viewers about the dangers of big government. Flo was immediately recognized as the successor to the "Harry and Louise" ads that helped the insurance industry derail the 1994 Clinton health care plan.

The "Flo" campaign let Washington know that the pharmaceutical giants were playing hardball on any efforts to enact a Medicare drug program that would result in lower drug prices. It's these high prices, and accelerated demand for drugs (driven by the industry's massive advertising), that have made the drug companies by far the most profitable industry in the country. The top 12 corporations made a whopping \$27.3 billion in 1999 (*see Appendix 1*). That's \$100 in profit for every man, woman and child in the United States.

The pharmaceutical industry couldn't have picked a better actress for the role of Flo. Diana Sowle is best known for playing Charlie Bucket's mother in the 1971 hit "Willy Wonka and the Chocolate Factory." Then as now, she operates in a fantasyland, full of lies, deception, and impossible trickery. But not even Willy Wonka had the power to turn industry greed into a genuine political movement.

When genuine community groups mobilize public opinion, it's called grassroots lobbying. When an industry tries to create the appearance of a public groundswell, it's called Astroturf. It's often hard for the public and for Congress to tell what's genuine and what's a fake.

CBM's ads talked about protecting seniors and their prescription drug coverage. They were really about protecting industry's sky-high profits from common-sense reform. Through this false front, which never revealed to viewers that industry was paying for the ads, seniors were invited to call Congress and oppose the very measures that would help them control the skyrocketing cost of life-saving prescription drugs. (*See Appendix 2 for a sample of CBM's promotional materials.*)

Section One of this report explodes the myth of CBM as a member organization. It takes a good look at its so-called coalition and their financing, exposing them as a motley crew of industry shells, direct-mail fright groups and disease groups dependent on drug company support. **Section Two** chronicles the various incarnations of the drug industry's ad campaign: the lies, the deception and the political hardball

that are blocking Medicare prescription coverage and reduced drug prices for our nation's elderly and people with disabilities.

Section One

CBM's Member Organizations

Follow the Money and the Sleaze

Citizens for Better Medicare is a specially contrived front for the drug industry's regular lobbying organization, the Pharmaceutical Research and Manufacturers of America (*see Appendix 3 for a list of PhRMA members*). CBM is headed by Tim Ryan, who worked as PhRMA's marketing director until he was tapped for the CBM post.¹ He admits that the organization is funded overwhelmingly by pharmaceutical firms,² but in an effort to look more like a movement, CBM also claims a network of 45 member organizations as part of its self-described "broad-based bipartisan group" (*see Appendix 4 for a complete list of CBM members*).

These member groups provide useful cover for the drug industry's lobbying operation. For instance, viewers who have called CBM's toll-free number off the television ads are told that the ads are paid for by a host of innocuous sounding scientific and disease groups, rather than PhRMA.³

Many of CBM's member groups appear upstanding and independent on first glance, but don't be fooled. A closer inspection reveals that some of the groups engage in highly questionable fundraising tactics designed to scare seniors. Other CBM member groups have close financial ties to the pharmaceutical industry, making them highly compromised sources in the Medicare debate. The following is a sampling of some of these organizations.

60 Plus Association

60 Plus is part of a rogue trio that includes the United Seniors Association and The Seniors Coalition. All three claim to be a "conservative alternative" to the AARP, but the groups often do more to frighten than to represent seniors. The groups began as enormous direct-mail operations that used misleading and alarmist rhetoric to scare seniors into sending money. They generally justify themselves by calling their fright mail tactics "education."⁴

Democrats and Republicans both have distanced themselves from this trio. They have been denounced as "fear factories" by the National Council of Senior Citizens. In 1998, an AARP spokesman noted that 60 Plus had little lobbying presence in Washington.⁵ Even the conservative magazine *The American Spectator* called their fright-mail fundraising "shady." The magazine worried: "In many cases, the resulting donations wind up principally benefiting the fundraisers themselves. It's an open question, in fact, whether direct mail is helping conservative causes or strangling them."⁶

In 1995, the Associated Press reported that a tax-exempt and subsidized mailing by 60 Plus brought in \$1.3 million from senior citizens, but 60 Plus kept only \$93,000. The rest of the money went to a mailing and fundraising operation controlled by archconservative direct-mail consultant Richard Viguerie. 60 Plus's President, James L. Martin, expressed no remorse with the wasteful fundraising operation, saying: "We would not be in existence without the fundraising acumen and counsel of Richard Viguerie."⁷

In 1998, the association had total revenue of \$1.8 million.⁸ Improbably, despite the above figures, 60 Plus also claims to have spent \$3 million lobbying Congress that year.⁹

60 Plus appears to work in close collaboration with the drug industry and its allies in the House leadership. According to a major trade association lobbyist, 60 Plus joined the Seniors Coalition at a February 1 meeting with House Republican leaders that was attended by such heavyweights as PhRMA, the Health Insurance Association of America, the Healthcare Leadership Council, the National Association of Chain Drug Stores, the National Association of Manufacturers, the Federation of American Health Systems and the U.S. Chamber of Commerce. The purpose of the meeting, the first of 15 on this topic, was to coordinate Republican strategy for a limited prescription drug bill, targeted at low-income seniors. 60 Plus and the Seniors Coalition were on hand to help make the effort look less like an industry push, according to the lobbyist.¹⁰

In April 2000, 60 Plus also publicly opposed Maine's groundbreaking legislation to bring down prescription drug prices.¹¹ The group has lobbied in Congress against the Allen bill and the Democratic bill to establish a Medicare prescription drug program.¹²

Alliance for Aging Research

The alliance's mission is to support research and development (R&D) on health and aging. It lobbies Congress for increases in federal R&D expenditures, primarily through the National Institutes of Health. The group was active against Maine's prescription drug pricing bill in April 2000. The alliance reported \$1.67 million in revenue in 1997, the last year for which information was available.¹³

The alliance does not release specific information about its donors, but its board of directors has featured many executives from the pharmaceutical and biotech industries in recent years. They include:¹⁴

- David Brown, Chairman of the Board, Telescan Inc.
- Ronald Eastman, Chairman & CEO, Geron Corporation
- Robert Gussin, Corporate Vice President, Science & Technology, Johnson & Johnson (PhRMA member)
- Richard Hendrixson, Vice President, Professional & Scientific Relations, Procter & Gamble Health Care (PhRMA)
- John Keller, Vice President and Director, Alliance and Technology Group, SmithKline

Beecham (PhRMA)

- Louis Sherwood, Senior Vice President, Medical & Scientific Affairs, Merck & Company (PhRMA)
- Frederick Telling, Vice President, Corporate Strategic Planning and Policy, Pfizer Inc. (PhRMA)
- David U'Prichard, President, Research & Development, SmithKline Beecham (PhRMA)
- Anthony Wild, President, Parke-Davis Pharmaceutical Sector, Warner-Lambert Company (PhRMA)

In addition, the alliance's web page advises that it "is made possible by an educational grant from Glaxo Wellcome," another PhRMA member.¹⁵

Alliance for Lung Cancer Advocacy, Support and Education

The alliance helps people with lung cancer to learn about the disease and become advocates for better care. It had total revenue of \$1.7 million in 1998.¹⁶ The group proudly boasts of its drug industry funding, displaying the logo of several PhRMA members that pay for its website, publications and telephone hotline. They include:

- Alza Pharmaceuticals
- Aventis Pharmaceuticals
- Bristol-Myers Squibb
- Eli Lilly and Company
- Glaxo Wellcome

In addition, one of its directors, Dr. Carolyn Dresler, is associated with another PhRMA member, SmithKline Beecham's consumer healthcare office.¹⁷

Association of Black Cardiologists

The association aims to combat high rates of cardiovascular disease among African Americans and support cardiology training for minority doctors. In 1998, it had revenue of \$4.1 million.¹⁸

The association is heavily funded by the pharmaceutical industry. In March 2000, the group received a \$2.2 million grant from the Bristol-Myers Squibb Foundation for its disease-fighting work. The association received 80.6 percent of its funding from the drug industry in 1996-1997. The itemized donations were:¹⁹

Astra Merck (PhRMA)

\$503,512

Berlex Laboratories	\$120,000
Boehringer Ingelheim (PhRMA)	\$132,000
Bristol-Myers Squibb (PhRMA)	\$273,000
DuPont Merck & Co. (PhRMA)	\$482,234
Genentech, Inc. (PhRMA)	\$25,000
Hoechst Marion Roussel, Inc. (PhRMA)	\$56,591
Merck & Co. (PhRMA)	\$463,146
Parke-Davis (PhRMA)	\$767,180
Pfizer (PhRMA)	\$512,839
Roche Laboratories (PhRMA)	\$69,000
Rhone Poulenc (PhRMA)	\$25,000
SmithKline Beecham (PhRMA)	\$464,990
Zeneca Pharmaceuticals (PhRMA)	\$71,300
Total drug industry donations 1996-97	\$3,965,792
Total revenue 1996-97	\$4,920,315
Drug industry share	80.6 %

Healthcare Leadership Council

Comprised entirely of CEOs, the council is designed to be a policy tool for industry to promote its business interests in Congress. Not surprisingly, the council promotes rollbacks of some government regulations and supports replacing government programs with private-sector structures. The drug industry gives the council deep pockets. In 1999, the council had total revenue of \$4.7 million. It pays its president nearly \$600,000 a year in salary and benefits, which is more than double Public Citizen's *total* budget for advocacy and education on the Medicare prescription drug issue.²⁰

HLC has many pharmaceutical and biotech companies as members. In 1998-99, they included:

- Abbott Laboratories (PhRMA)
- American Home Products (PhRMA)
- Amgen (PhRMA)
- Baxter International
- Bristol-Myers Squibb (PhRMA)
- Eli Lilly & Company (PhRMA)
- Fisher Scientific International
- Genentech (PhRMA)
- Glaxo Wellcome (PhRMA)

- Hoffman-LaRoche (PhRMA)
- Johnson & Johnson (PhRMA)
- Knoll Pharmaceuticals Co. (PhRMA)
- Mallinckrodt
- Merck & Company (PhRMA)
- Pfizer (PhRMA)
- Schering-Plough Corporation (PhRMA)
- SmithKline Beecham (PhRMA)

In addition, the presidents, chairmen and/or CEOs of the following PhRMA members are on the council's board of trustees: Amgen, Merck & Co., Johnson & Johnson, Glaxo Wellcome, Abbott Laboratories, and Hoffmann-La Roche.²¹

Healthcare Marketing & Communications Council, Inc.

The council is a trade group that lets the drug industry's marketing people keep tabs on new ways to hawk their products. It had total revenue of \$495,000 in 1998.²² At least nine of the group's 24 directors are associated with pharmaceutical companies:²³

- Barbara Braun, Roche Laboratories (PhRMA)
- Lee A. Colpi, Ventiv Health Communications (marketing and sales services provider for the pharmaceutical and biotech industries)
- Robert Doyle, Parke Davis (PhRMA)
- Robert Girondi, Astra Pharmaceuticals (PhRMA)
- Robert Glaser, McKesson HBOC Pharmaceutical
- Maureen Liberti, Johnson & Johnson (PhRMA)
- John Reardon, Janssen Pharmaceutica, Inc.
- Harvey Sussman, Bristol-Myers Squibb (PhRMA)
- Greg Zaidel, Bayer Corporation (PhRMA)

Kidney Cancer Association

The Kidney Cancer Association, based in Evanston, Illinois, aims to support research into the disease and serve as an advocate for patients. In April 2000, it joined 60 Plus, the Seniors Coalition and the Alliance for Aging Research to oppose the Maine legislature's efforts to bring down drug prices. The association took in \$1.3 million in 1998, the last year for which information is available. The association receives a significant portion of its funding from pharmaceutical and biotech firms. The following chart details the group's contributions of \$5,000 or greater from 1996-1998.²⁴

Amgen, Inc. (PhRMA member)	\$15,000
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Baxter	\$5,000
Bristol-Myers Squibb (PhRMA member)	\$15,000
Chiron Therapeutics	\$90,000
Genentech (PhRMA)	\$5,000
Glaxo Wellcome (PhRMA)	\$90,000
Hoechst Marion Roussel (PhRMA)	\$40,000
Hoffman-LaRoche / Roche Labs (PhRMA)	\$12,500
Johnson & Johnson (PhRMA)	\$5,000
Neopharm	\$5,000
Novartis (PhRMA)	\$5,000
Ortho Biotech (PhRMA)	\$30,000
Pfizer (PhRMA)	\$5,000
PhRMA	\$46,000
Pharmacia & Upjohn (PhRMA)	\$5,000
Schering Plough (PhRMA)	\$115,000
SmithKline Beecham (PhRMA)	\$5,000
Total pharmaceutical donations 1996-1998	\$493,500
Total revenue 1996-1998	\$2,665,305
Drug industry share	18.5 %

The Seniors Coalition

The Seniors Coalition claims to be working for “a responsible America” by advocating reduced taxes and working for solvency in the Medicare and Social Security programs. The group is really just another shell operation. Their website, brazenly offering “corporate partnerships” appears to sell their services in a perversion of normal grassroots activism. They ask: “Are your expensive education and lobbying efforts hampered due to the lack of effective consumer support? Would an army of more than 3 million seniors -- including 7,000 grass roots activists -- working on important legislative/regulatory issues be valuable? ONE POWERFUL SOLUTION: TEAM UP WITH THE SENIORS COALITION!”²⁵

The Seniors Coalition, like 60 Plus and the United Seniors Association, got its start as a Richard Viguerie direct-mail fright operation (See 60 Plus above). The Seniors Coalition was singled out as a “particularly egregious” group by a 1992 House Ways and Means Committee report on deceptive mailings.²⁶ Also that year, the state of Pennsylvania fined the group \$9,000 for failing to properly register.²⁷ Maryland’s Secretary of State banned the Coalition from soliciting money in that state, also for lack of registration.²⁸

The Coalition's founder, Dan Alexander, was convicted of extortion in 1987 in an Alabama school construction kickback scheme. He was ousted from the Seniors Coalition after he used the group's funds for personal bills, but his allies regained control of the organization in 1996 after a court fight.²⁹

The coalition took in \$7.9 million in 1998, the last year for which information is available.³⁰

Although the coalition appears to have increased its lobbying presence in Washington, a leopard apparently never changes its spots. Just last December, as CBM was blasting Rep. Bill Luther (D-Minn.) on the airwaves, the Seniors Coalition was scaring seniors yet again with a deceptive mailer attacking Luther. The coalition misled seniors by suggesting that the President's Medicare proposal would not allow them to buy private insurance, when the President's plan is in fact entirely voluntary. The *Minneapolis Star-Tribune* called it a "shabby attack" from a "sleazy interest group."³¹ (*See Appendix 5 for an example.*)

The Seniors Coalition, along with 60 Plus, met in February with the House Republican leadership and drug industry leaders to coordinate strategy for a limited Republican drug bill (*see 60 Plus above*). In April 2000, the Seniors Coalition also opposed the Maine legislature's efforts to bring down prescription drug prices.

Like 60 Plus, the Seniors Coalition is fond of double counting its activities in its lobbying disclosure forms. Despite large direct-mail expenditures, the coalition reported spending nearly its entire budget, \$6.3 million, on lobbying.³²

Third Millennium: Advocates for the Future

Third Millennium is a fairly new kid on the block, a think tank dedicated to representing Generation X in Washington policy debates. In 1998, Third Millennium took \$10,000 from Pfizer, a PhRMA member. Its total revenue in 1998, the last year for which figures are available, was \$520,415 in 1998.³³

Third Millennium appears in "PhRMA's Secret Playbook" (*see Appendix 6*), a report by Public Citizen that details the drug industry's plan to coordinate the activities of independent-looking groups. The inclusion of Third Millennium in PhRMA's coalition reveals its use of that old trick to preserve the status quo: say you support the general principle of prescription drug coverage for seniors, but work to block every specific proposal that is offered.

In March, Third Millennium released a study of Clinton's Medicare proposal. Contrary to CBM's slogan of "the right Medicare reforms," Third Millennium opposes adding a prescription drug benefit to the Medicare program at all. "It hardly seems the time to be expanding Medicare benefits, via the President's or anyone else's reform plan, particularly when those benefits are, in large part, to be paid by current and future workers," a Third Millennium study concludes.

In addition, the group recently launched a website in conjunction with CBM, www.callyourgrandma.com, that works to sow doubts about the financial viability of a Medicare prescription drug benefit. The *callyourgrandma* site, with cutesy graphics of Flo bowling, emphasizes how much more quickly the Medicare program will run into financial trouble if a prescription drug plan is added.

These mixed messages raise the question of whether the pharmaceutical industry is really interested in helping seniors get prescription drug coverage, or whether, like Third Millennium, they want to see progress on the issue blocked entirely.

United Seniors Association

United Seniors also claims to be educating seniors on Medicare and Social Security issues. It rounds out the trio of sleazy operators (see 60 Plus and Seniors Coalition above). Another Richard Viguerie creation, the association has gone so far in its mailers that it even drew fire from Republicans for its scare tactics. “We are not here to try to scare senior citizens with respect to their health care, and I think it was a serious mistake to use the kind of statements contained in this letter,” said Sen. William Roth (R-Del.) in 1998.³⁴

The association’s mailings said that new Medicare rules would prevent seniors from paying for private care outside the government program. The charge was rebutted by the General Accounting Office and syndicated columnist Jane Bryant Quinn, who called the association’s letters false and absurd. “You’re being doused with misinformation – and worse, some of you are paying for it,” Quinn warned the association’s donors in her column.³⁵

The association took in \$11.98 million in 1998, the last year for which figures are available.³⁶

Research Note

The following CBM members refused to provide their IRS-990 forms to Public Citizen in violation of federal regulations:

- Council for Affordable Health Insurance
- Hispanic Business Roundtable
- National Hispanic Coalition on Aging
- National Foundation for Brain Research

The Drug Industry's Other Allies

Some organizations do not appear on Citizens for Better Medicare's member list, but nonetheless publicly support PhRMA's positions and assist the industry's campaign. They form a kind of extended family of industry fronts that present themselves to the media and the public as independent groups. Two are discussed below.

Citizens for a Sound Economy

Another regular on the pharmaceutical shill circuit includes the right-wing think tank, Citizens for a Sound Economy. This group, which appears in "PhRMA's Secret Playbook," produces studies designed to reinforce the drug industry's message. It released a report attacking the Allen bill in February. As documented by *The Washington Post*, CSE takes money from corporate interests to pay for "research" projects that directly impact those corporations. It serves as a "weapon in the modern corporate political arsenal," the *Post* wrote. "The groups provide analyses, TV advertising, polling and academic studies that add an air of authority to corporate arguments – in many cases while maintaining the corporate donors' anonymity."³⁷

According to budget documents obtained by Public Citizen, CSE takes millions of dollars a year from corporate interests, including Exxon for projects relating to global climate change, Philip Morris and R.J. Reynolds for tobacco projects and the Florida sugar growers lobby. In 1998, CSE took the following drug industry funds:

Johnson & Johnson (PhRMA)	\$250,000
Eli Lilly and Co. (PhRMA)	\$5,000
Novartis (PhRMA)	\$5,000
Pfizer (PhRMA)	\$3,000
Pharmacia & Upjohn (PhRMA)	\$750

Ethics and Public Policy Center

One of the industry's more prolific supporters is the Ethics and Public Policy Center, particularly senior research fellow Dr. Robert Goldberg. The center bills itself as the voice of Judeo-Christian morals in public policy circles. Goldberg faithfully represents the industry line in his publications, op-ed articles and appearances at public debates. Documents obtained by Public Citizen show that he expects the industry to financially reward him for his work. He penned a January, 2000 memo to PhRMA leaders under the heading "Support in the Gathering Storm" (*reprinted in Appendix 6*). In it, he wrote: "Last year I put out a steady stream of articles (see attached samples), did dozens of radio interviews and participated in a number of live and televised forums on the issue of prescription drug coverage ... Ironically I have been so busy that I have not had time to reach out to the right people for such

additional funding. So now I am asking your help to help me contact the appropriate individuals in various companies to support my research and writing.”³⁸

Section Two

CBM's Game Plan: A Cloud of Deception

Since July 1999, Citizens for Better Medicare has unleashed four waves of ads onto the nation's television screens in its campaign to scare, deceive and confuse the public about the need to rein in prescription drug costs. Media reports put the total cost of the campaign at more than \$65 million, but no one really knows how much the industry will spend because CBM is chartered as a "527" group under the federal tax code. These secretive political organizations, which exist to influence elections, are not required to reveal their leadership, where their donations come from, or how they spend their money. They can operate without scrutiny so long as they avoid telling the public to "vote for" or "vote against" a candidate.

CBM documents some of its national television ads on their website, www.bettermedicare.org, but it doesn't reveal its other ads that targeted potentially vulnerable House Democrats in Colorado, Iowa, Minnesota and Oregon as well as Montana Democratic Senate candidate Brian Schweitzer.

The prescription drug benefit and pricing issues began to gain steam in February 1999, when Rep. Tom Allen (D-Maine) filed the Prescription Drug Fairness for Seniors Act (H.R. 664/S. 731). Fiercely opposed by the drug lobby, the Act would require that manufacturers give pharmacies serving Medicare beneficiaries the same deep discounts they give to bulk purchasers like Veterans Affairs hospitals and the Department of Defense. Initially introduced in 1998 with 53 sponsors, Allen's bill was re-introduced in 1999 with 63 sponsors and now stands at 152. The current House sponsors include such Democratic heavy hitters as David Bonior of Michigan (Minority Whip), Martin Frost of Texas (Democratic Caucus Chairman) and Henry Waxman of California (former chairman of the Commerce Committee's Subcommittee on Health and the Environment).

President Clinton released his plan for a Medicare prescription drug benefit in June 1999, and the drug lobby reacted cautiously. "We plan to review the President's plan with great care," was all that Alan Holmer, PhRMA's \$600,000-a-year president, said that day.³⁹ By July, media all over the country had picked up on the fact that seniors who don't have prescription drug coverage pay the highest prices. The drug industry responded with a July 15 meeting in which they mapped out their strategy to undermine the President's plan.⁴⁰

First Wave: "I don't want big government in my medicine Cabinet!"

CBM's first "Flo" ad debuted in late July as the successor to the famed "Harry and Louise" ads that helped the insurance industry derail the 1994 Clinton health care initiative. The early campaign cost \$30

million, according to news reports, and ran in major media markets such as New York City, Tampa, Dallas, Memphis and Washington, D.C.⁴¹

In the ads, Flo initially appears with a group of her women friends at the bowling alley, while the announcer vaguely talks about “the right Medicare reforms” that will “let doctors decide what medicines are best . . . not government.” Flo then delivers her classic line with high indignation: “I don’t want big government in my medicine cabinet.” A slick organizational tool, the ad gave the group’s website address and invited viewers to call CBM’s toll-free number. In the final shot, the text said the ads are paid for by the innocuous-sounding Citizens for Better Medicare as if it were a grassroots movement. No mention was made of the fact that CBM is a front group bankrolled by pharmaceutical giants.

In August and September, Flo made another appearance, this time in the kitchen with her husband “Bill.” The ads specifically attacked the Clinton administration, attempting to scare seniors with the charge that they could lose their private prescription coverage “and end up in a big government plan.”

Second Wave: Now it gets personal

During much of 1999, members of Congress pressed the issue of high drug prices, releasing studies that showed seniors were often the victims of price discrimination. The Congressional studies were prepared by the minority staff of the Government Reform Committee. They showed that seniors without drug coverage often pay twice as much as certain federal agencies, HMOs and large insurance companies pay for the very same drugs. A story from New York is representative of the tone. In it, Rep. Carolyn McCarthy decried the drug industry’s price gouging of seniors who lack insurance coverage. “This is an unacceptable situation,” McCarthy said. “Many seniors on fixed incomes who lack prescription drug coverage are faced with a choice between buying the drugs they need and buying food.”⁴²

By late November, the drug industry decided to throw its weight around with a coordinated attack of television, radio, print and Internet ads and a telemarketing operation. All this was backed up with a mailing campaign from the Seniors Coalition’s fright mail machine.

CBM targeted House Democrats facing potentially close races in 2000: Reps. Mark Udall of Colorado, Bill Luther of Minnesota, Darlene Hooley of Oregon, and Leonard Boswell of Iowa. The ads attacked them for “playing politics” with prescription drug coverage. The common link? They had released a drug price discrimination survey in their districts with much media fanfare and they co-sponsored the Allen bill.

CBM’s thinly veiled campaign attack ads were said to cost around \$1.5 million in the peak of the Christmas advertising season. CBM’s Tim Ryan warned: “We could expand this to more media markets to the end of the year.”⁴³

A television spot attacking Rep. Luther is representative of the campaign. It featured piano music, smiling seniors, and the following messages:

Caption: How do we help seniors?

Voice: “How do we help seniors who need prescription drug coverage?”

Bipartisan Medicare Reform for Seniors Who Need It

“In Washington, Democrats and Republicans are supporting exciting new plans that provide prescription drug coverage for seniors who need it without pushing millions of seniors into a big government plan.”

Congressman Bill Luther Is Playing Politics

“But Congressman Luther is playing politics – supporting a bill that may sound good but doesn’t help seniors get prescription coverage.”

Doesn’t Help Seniors Get Rx Coverage. But There’s Still Time

“So Call Luther. Tell him to stop playing politics and work for real bipartisan solutions.”

Tell Congressman Bill Luther

Stop Playing Politics

1-800-545-3285

Paid For by Citizens for Better Medicare

The air battle was supplemented by direct mail from the Seniors Coalition, which misled seniors by saying: “You could be forced to pay premiums to a government-run plan to get the medicine you need.” They also charged that “Bill Luther refuses to defend your right to choose your own prescription drug plan.” (See Appendix 5.)

The campaign, which continued into December, was denounced by newspaper editorial boards everywhere it ran. The *Minneapolis Star-Tribune* called it a “shabby attack.” The *Oregon Statesman-Journal* urged its readers to ask who was behind the “unfair” campaign. The *Denver Post* decried the industry’s “vicious” scare tactics and “outrageous untruths.”⁴⁴

As part of its \$1.5 million ad buy, CBM also ran ads supporting the lead Democratic opponent of the Allen bill, Rep. Cal Dooley (D-Calif.), who was facing a March primary. A so-called “New Democrat,” Dooley tried unsuccessfully to convert the Democratic leadership to a pro-drug-industry stance, a move which *Roll Call* linked to Dooley’s fundraising aspirations within the biotech industry.⁴⁵ In February 2000 he led a revolt of moderate Democrats against the leadership’s attempt to force votes on the Allen bill.⁴⁶ Incidentally, Dooley also appears on the website of the Healthcare Leadership Council with a bevy of smiling drug industry operatives after a meeting on Medicare.⁴⁷

News commentators denounced all the 527 stealth activity that funded campaign ads masquerading as issue ads. “Forty-nine weeks before congressional elections, the Twin Cities is already under attack. This may be a record,” wrote the *St. Paul Pioneer Press*.⁴⁸

CBM never told the public who was sponsoring the ads. Callers to their toll-free number who asked about the ads' funding were told CBM had paid for the ad. If pressed on who paid for CBM, they were told that CBM was supported by many scientific associations including a lung association, an Alzheimer's research association and AIDS research group and a brain research group. Anything but PhRMA, essentially.⁴⁹

Third Wave: Pretend to make nice while sharpening the knives

The drug industry continued its push into the new year, announcing plans to flood the airwaves with another \$35 million in ads.⁵⁰ The Clinton Administration made its increasing frustration known and stepped up pressure on the pharmaceutical giants by threatening to blast them during the President's final State of the Union address.

On January 13, 2000, the drug industry began to make nice and asked for a cease-fire. PhRMA leaders promised to support a Medicare drug benefit and expressed worries that their public image could suffer. "If very important people in America say bad things about the industry, that's harmful to us," said PhRMA chairman Gordon Binder of Amgen. White House officials took a wait-and-see attitude.⁵¹

On January 17, CBM launched a new, more conciliatory series of print and television advertisements that called for bipartisan collaboration to develop a Medicare prescription drug benefit. The ads featured Flo gathered around the kitchen table with a faux seniors committee going through their activist mailbag. For the moment, Flo's message turned upbeat and positive: "There are some new plans in Congress thanks to the National Bipartisan Medicare Commission . . . We need to urge Washington to put politics aside and join hands for these bipartisan solutions. Won't you make your voice be heard through Citizens for Better Medicare?"

On January 20, several drug industry executives held a meeting with White House Chief of Staff John Podesta to hammer out a cooperative plan.⁵² With such signs of cooperation, the President went easy on the drug industry in his speech, addressing the Medicare prescription drug plan only generally. The next day, the Standard and Poor's drug stock index rose 3.8 percent as a nervous Wall Street breathed a sigh of relief. Ominously, analysts said the boost reflected their belief that the industry could block a Medicare drug benefit before Clinton left office.⁵³

The White House's skepticism was well justified. While the drug industry executives were making conciliatory noises, PhRMA's public affairs section also held a strategy meeting with industry allies to plan how they would undermine support for the President's Medicare initiative. On January 19, only one day before the drug chiefs' meeting with Podesta, PhRMA distributed a battle plan that included a calendar of events for January and February. It reveals that the industry's strategy is to work in a highly coordinated way with allied organizations and front groups. Their tactics include releasing reports,

conducting a major “grassroots” public relations and lobbying campaign, and initiating state media tours to challenge the media coverage surrounding cheaper drugs in Canada (*see Appendix 6*).⁵⁴

The truce didn’t last very long, and the battle was far from over.

Fourth Wave: Blame Canada

The latest wave of ads, which began in March 2000, finally shows CBM on the defensive. The industry is responding to embarrassing press coverage that showed Americans driving across the border into Canada for deep discounts on their prescription drugs. The Canada stories, which included an October 1999 report by *60 Minutes*’ Mike Wallace, were repeated widely, stoked by group bus trips organized by Montana’s Democratic Senate candidate Brian Schweitzer, several members of Congress and Public Citizen.

CBM fired back with an ad blitz in Vermont and 14 other northern border states that attempted to smear the Canadian health care system.⁵⁵ They featured buses driving *from* Canada into the U.S. and warned that Canadians “wait longer for new cures” and are “often switched to cheaper, less effective medicines.”

Callers who dialed up CBM’s toll-free number during this time got the combo message with everything on it, including rhetoric about supposed threats to research and development. “Citizens for Better Medicare opposes plans that could effectively push millions of seniors out of private coverage and into a big government plan for their prescription drugs and could put Medicare’s finances at risk,” callers were told. “Citizens for Better Medicare is also opposing plans for a Canadian-style drug system where the government sets prices,” the script continued. “We believe that would hurt research and development of new drugs and hurt patients waiting for new cures.”⁵⁶

Schweitzer drew particular fire for his leadership in organizing bus trips across the border. The ads against him attempted to “bait and switch” the issue away from high prices and toward scary government controls. “Brian Schweitzer wants Canadian style government controlled health care on prescription medications here in America ... Government control of our prescription medicines? Tell Brian Schweitzer no thanks.”⁵⁷

A Fifth Wave?

Even as this report was being completed, the drug industry launched its next round of print ads to support the Republican alternative to the Clinton prescription drug plan. In early June, full-page ads in major newspapers ran under PhRMA’s logo. They cautioned readers to “Read Label Before Legislating” and claim that private insurance can lower drug prices from 30-39 percent. If true, this savings would approach the kinds of discounts that seniors might expect under the Allen bill. However, the fact is that private insurance and HMOs have failed to rein in skyrocketing drug prices, which have

risen three times faster than the Consumer Price Index during the last two decades, according to the Bureau of Labor Statistics.⁵⁸

The drug lobby has gone from trying to scare seniors to co-opting the reformers' message with a plan they find more palatable. The irony of these ads is that the industry has been howling about the devastation that would occur to firms' research and development budgets if the Allen bill were to become law. Yet they are trying to neutralize growing support for the Allen bill -- or for Medicare directly negotiating drug prices with the industry -- by claiming somewhat comparable savings. Such contortions cast severe doubt on the level of savings that a private-sector plan can achieve.

The drug industry and Republicans are pushing a prescription drug plan narrowly targeted at low-income seniors. Rather than provide drug coverage similar to Medicare's hospital and physician care, the industry's plan would depend on HMOs and private insurance. Not only would this provide an inferior benefit, it would segment the market and dilute purchasing power that could result in much lower drug prices. Moreover, the Republican bill reportedly calls on the administration to negotiate with foreign countries to raise their drug prices.⁵⁹ Amazingly, the Republicans formula for equalizing the drug prices that Americans pay is to try to raise drug prices abroad!

The PhRMA label on the new print ads is curious. Has the industry realized that people are getting wise to the charade of CBM? Only time will tell whether "Flo" makes another appearance.

Conclusion

The drug industry has pulled out all the stops this past year to protect its high profit margins. It has invaded America's homes through our televisions and mailboxes with a sophisticated, coordinated campaign of misleading information designed to muddy the waters and stall prescription drug coverage for America's seniors. The industry's tactics suggest that the media and the public should be especially wary of independent-looking groups that argue in support of the drug industry: Many of them have direct financial relationships with the drug companies and cannot be counted as neutral sources in the Medicare debate. Even some CBM members may be unaware of the extent of the industry's deception. Indeed, the drug industry's recruitment process can be subtle. Mike Donio, project director for the People's Medical Society in Philadelphia, said even liberal groups received invitations to join CBM. "I went in there with a very naïve idea," he said, describing a November meeting held at a Harrisburg, Pennsylvania hotel. "The name sounds very inviting. Who's against better Medicare? It wasn't until they had already started their [sales] pitch that I realized, 'Oh, these are the 'Flo' people.'"⁶⁰

Endnotes

- ¹ Serafini, Marilyn and Zeller, Shawn, "Say It Ain't So, Flo," *National Journal*, October 9, 2000.
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- ⁴ Byron, Christopher, "Direct-Mail Devilry," *The American Spectator*, November, 1994, pp. 31-34.
- ⁵ "Bass, Rauh trade charges over endorsements by senior groups," Associated Press, Oct. 30, 1998.
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- ⁷ Drinkard, Jim, "Postal Inspectors Investigate Seniors Group's Mailings," Associated Press, Sept. 29, 1995.
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- ⁹ Lobbying disclosure form for 1998. Summary available at the Center for Responsive Politics database, <http://www.crp.org>
- ¹⁰ Anonymous interview with a lobbyist for a major national trade association.
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- ¹² 1999 end-year lobby disclosure report filed with the Clerk of the House and the Secretary of the Senate pursuant to the Lobby Disclosure Act of 1995.
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- ¹⁴ IRS form 990.
- ¹⁵ Alliance for Aging Research website, <http://www.agingresearch.org>
- ¹⁶ IRS form 990.
- ¹⁷ Alliance for Lung Cancer Advocacy, Support and Education website, <http://www.alcase.org>
- ¹⁸ IRS form 990.
- ¹⁹ IRS form 990s and The Association of Black Cardiologist website, <http://www.abcardio.org>
- ²⁰ IRS form 990.
- ²¹ Healthcare Leadership Council website, available at <http://www.hlc.org>
- ²² IRS form 990.
- ²³ HMCC website, available at <http://www.hmc-council.org>
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- ²⁸ Heath, Thomas, "Md. Official Restricts Five Charity Groups," *The Washington Post*, October 6, 1992, p. C10.
- ²⁹ Rosenblatt, Robert, "Seniors Coalition Crippled by Leadership Dispute: Conservative Group Is in Turmoil after Court Ousted Board in Favor of One Allied with Its Founder, a Felon," *Los Angeles Times*, April 2, 1996, p. A5.
- ³⁰ IRS form 990.
- ³¹ Staff Editorial, "Scaring Seniors: Shabby Attack on a Minnesota Democrat," *Minneapolis Star-Tribune*, Dec. 28, 1999.
- ³² Center for Responsive Politics, available at <http://www.crp.org>
- ³³ IRS form 990.
- ³⁴ Riskind, Jonathan, "Senators Criticize Seniors Association: Medicare Letter Deceive, Committee Chairman Says," *The Columbus Dispatch*, February 27, 1998.
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- ³⁶ IRS form 990.
- ³⁷ Morgan, Dan, "Think Tanks: Corporations' Quiet Weapon," *The Washington Post*, January 29, 2000.
- ³⁸ "PhRMA's Secret Playbook," *Public Citizen*, January 26, 2000.
- ³⁹ Pear, Robert, "Clinton Lays Out Plan to Overhaul Medicare System," *The New York Times*, June 30, 1999, p. A1. Holmer's annual salary taken from PhRMA's IRS form 990.

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- ⁴⁰ Pear, Robert, "Drug Makers Fault the Details Of Clinton Medicare Proposal," *The New York Times*, July 16, 1999, p. A14.
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- ⁴⁵ Wallison, Ethan, "Democrats See Drug Plan as Key Leaders Focusing On Winning Back Senior Voters," *Roll Call*, June 7, 1999.
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- ⁵⁰ Stone, Peter, "K-Street Corridor for November 20, 1999," *The National Journal*.
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- ⁵² News briefing with White House Spokesman Joe Lockhart, January 20, 2000.
- ⁵³ Bloomberg News, "Drug Stocks Jump After Lack of Criticism From Clinton," *The Dallas Morning News*, January 29, 2000, p. 4F.
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- ⁵⁹ Eilperin, Juliet, "House GOP Gives Medicare a Fallback Role in Drug Benefit Plan," *The Washington Post*, June 9, 2000, p. A10.
- ⁶⁰ Telephone interview with author, June 8, 2000.

Appendix I – Pharmaceutical Industry Profitability

Fortune magazine has rated pharmaceuticals as the most profitable industry in the country for most of the last three decades. In 1999, pharmaceuticals posted an 18.6 percent return on revenue, more than three times the *Fortune* 500 median of 5.0 percent.

The following is *Fortune* magazine's 1999 industry snapshot for pharmaceuticals, first printed April 17, 2000:

Company	Profits in billions
Merck	\$5.891
Johnson & Johnson	\$4.167
Bristol-Myers Squibb	\$4.167
Pfizer	\$3.179
American Home Products*	- \$1.227
Abbott Laboratories	\$2.446
Warner-Lambert	\$1.733
Eli Lilly	\$2.721
Schering-Plough	\$2.110
Pharmacia & Upjohn	\$0.803
Amgen	\$1.096
Allergan	\$0.188
Total	\$27.274

To put \$27 billion in perspective, it's about \$100 in profit for every man, woman and child in the United states.

* American Home Products had a massive \$4.8 billion hit against its earnings in the third quarter of 1999 to settle a nationwide, class-action lawsuit over its anti-obesity products, Redux and Pondimin. The two drugs, better known as the diet combo Phen-Fen, were found to cause heart valve damage.

Appendix II – CBM Promotional Materials



P.O. Box 34337
Washington, D.C. 20043-4337
Toll Free: 1-877-RxCoverage

- Alliance for Aging Research
- Alliance for Lung Cancer Advocacy, Support & Education
- Alzheimer's Aid Society of Northern California
- American Menopause Foundation
- American Trauma Forensic Institute
- America's Future Foundation
- Andrew's Buddies Corp.
- Association of Black Cardiologists
- Associated Industries of Kentucky
- Broward Community Council, Inc
- California Healthcare Institute
- California Manufacturers Association
- Cancer Research Institute
- Citizens Against Government Waste
- Cooperative Cancer Coalition
- Council for Affordable Health Insurance
- Florida Hispanic Chamber of Commerce
- Healthcare Institute of New Jersey
- Healthcare Leadership Council
- Healthcare Marketing & Communications Council
- Hialeah Chamber of Commerce & Industries, Inc
- Katy Mother's Network
- Kidney Cancer Association
- Log Cabin AIDS Policy Institute
- Men's Health Network
- National Association of Manufacturers
- National Foundation for Brain Research
- National Hispanic Council on Aging
- National Tuberculous Sclerosis Foundation
- Pennsylvania Healthcare Technology Network
- Pharmaceutical Research and Manufacturers of America
- Robbie Vienna Lambert
- Spinal Cord Organization for Regaining Excellence
- Stroke Care Disease Association of America, San Antonio
- Small Business Survival Committee
- Taxpayers Association, Inc.
- The Seniors Coalition
- Third Millennium
- TMJ Society of California
- United Seniors Association
- United States Chamber of Commerce
- 14th Street Business Association
- BC Plus Association

Sean Crowley



Dear Sean Crowley:

Thank you for your support of Citizens for Better Medicare. Your participation in our campaign for the right Medicare reforms will have an impact in Washington – and could help protect the future of Medicare. When you speak out, Congress listens!

The debate over how best to reform Medicare is moving quickly. It is important that your voice be heard before Congress passes legislation that could affect your health care. As a member of Citizens for Better Medicare, you can join tens of thousands of people like you in telling Congress to:

- Provide prescription drug coverage for seniors who need it.
- Protect private coverage choices for seniors who have them.
- Ensure the financial security of the Medicare program.
- Keep prescribing decisions between doctors and patients.
- Avoid a big-government scheme that could effectively push seniors into a one-size-fits-all prescription drug coverage program.

But our work doesn't stop there! We must ensure that Congress legislates responsibly – a quick fix won't do!

Citizens for Better Medicare is committed to protecting the financial security of Medicare and to extending the same high-quality coverage that many seniors already have to those in need. We will continue to urge Washington to adopt reforms based on the work of the National Bipartisan Medicare Commission – plans that help seniors in need and preserve choices for those who have private Rx coverage.

As a member of Citizens for Better Medicare, you have the ability to contact Congress instantly to express your views on these important issues.

Be sure to activate your personalized CBM membership card. With this card, you can call the Rx Action Hotline toll-free so that we can connect you directly with your members of Congress.

Members of Citizens for Better Medicare are already affecting the Medicare reform debate in Washington. And, there's good reason to think that our message for common-sense reform is getting through.

Recently, the Medicare Preservation and Improvement Act was introduced by four Senators – two Democrats and two Republicans. This bill offers Congress the chance to pass Medicare reform that makes sense. It addresses the long-term solvency of the Medicare program and prescription drug coverage that would be extended to seniors who need help getting it. It doesn't push seniors into a one-size-fits-all plan!

We'll do our best to keep you up to date on this new plan. And we'll let you know if your prescription drug choices are being jeopardized by any scheme that could push seniors into a big-government plan to get the drugs they need.

Call today. Use your personalized CBM membership card to contact your member of Congress directly. Remember, Congress could pass a new Medicare law soon. Will it be a good private sector approach to expanding prescription drug choices, or will it be a big-government scheme that jeopardizes private coverage, leaving only a standardized government plan?

The future of your prescription drug choices is now in your hands. Working together, we can pass the Medicare reform bill that America needs.

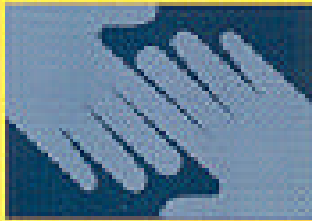
Welcome aboard! We're glad to have you as a member of Citizens for Better Medicare.

Sincerely,

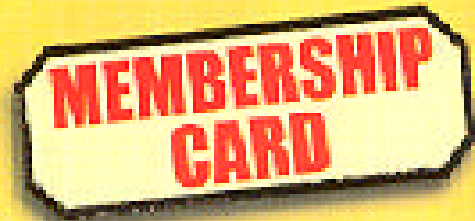
A handwritten signature in black ink, appearing to read 'Tim Ryan', with a stylized flourish extending from the end of the signature.

Tim Ryan

P.S. Don't forget to detach and keep your personalized CBM membership card close at hand. Your card gives you the ability to contact your members of Congress toll-free!



Citizens for BETTER MEDICARE



Dear Sean Crowley,

One person can still make a difference in America!

Citizens for Better Medicare proved it by helping our members get their message to Congress – one person at a time.

Now you can join us! It costs nothing to become a member.

Just call 1-800-789-5630 to activate your membership.

And please detach and keep your membership card close at hand. With this card, you can call toll-free for Medicare reform updates or you can contact your member of Congress directly.

Welcome to the campaign for common-sense reform!



"I don't want big government in my medicine cabinet."

"Citizens for Better Medicare is now 85,000 strong and growing. Join us and help get the word out that we want the right reforms for Medicare."

– Flo

Call 1-800-789-5630 to activate your GSM Membership Card

Use your membership card to:

- ▶ Call toll-free for Medicare reform updates.
- ▶ Call or send telegrams to your members of Congress at no cost to you.



Tear along dotted line to detach card

Congress Hears From the Grassroots

Seniors Flood Capitol with Letters and Calls

Does one person still make a difference to members of Congress?

You bet! By the tens-of-thousands, members of Citizens for Better Medicare took pen in hand and changed the course of the debate on Medicare prescription drug reform – one person at a time.

“Powerful interests in the government thought they could pass a big-government plan over the objections of many seniors,” said Tim Ryan, Executive Director of Citizens for Better Medicare. “But they never counted on so many people learning the facts and speaking out for reforms that make sense for everyone.”

Just a few months ago, political observers were predicting passage of the Administration plan that could have caused millions of seniors to lose their private prescription drug coverage and be effectively pushed into a big government plan to get the medicines they need.

But that was before members of Citizens for Better Medicare mobilized and flooded Congress

“They never counted on so many people speaking out for reforms that make sense for everyone.”



Congress heard your message loud and clear

with personal letters and phone calls urging the right reforms for Medicare prescription drug coverage.

“Our members sent letters by the thousands. But what really made the difference was how they informed themselves on the issues so that they could make our case for sensible reforms,” added Ryan. “Nothing is more powerful to a member of Congress than ordinary citizens speaking out clearly.”

But Ryan warned that the battle for sensible reform is not over. In

the coming months, the issue of Medicare prescription drug coverage will top the agenda in Congress.

INSIDE:

CBM Over 85,000 Strong and Still Growing	2
America Speaks Out	2
Bipartisan plan offers answers	3
Poll shows America wants drug choice	4

Citizens for Better Medicare now 85,000 Strong – and Growing!

Members take Reform Message into Congressional Districts

"First they heard our message in Washington," said Citizens for Better Medicare Member Frances Wrice, "but now we're speaking out at home as well."

Throughout the nation, members of Citizens for Better Medicare (CBM) will communicate with their Senators and Representatives during their visits home by attending public meetings, speaking at hearings, and by going to their district offices.

"Many of our members know their Congressional representatives and want to impress on them how important it is to pass the right reforms next year," said Tim Ryan of CBM. "And with over 85,000 members, our voice will certainly be heard."

"With over 85,000 members, our voice will certainly be heard."

Citizens for Better Medicare has grown by leaps and bounds since the campaign for the right Medicare reforms began last year. Nearly 50 major senior and patients rights organizations have joined our effort. But even more importantly, seniors from throughout America have lent their names and their voices to the effort.

The result is a powerful voice for sensible reform.

We continue to be committed to a few simple principles to guide Medicare reform and to protect our right to the best prescription drug coverage:

- Big government plans are the wrong solution for seniors' prescriptions.
- Medicare reform should protect



"Flo," the CBM spokeswoman, helped deliver the message

the choices seniors already have in their private plans.

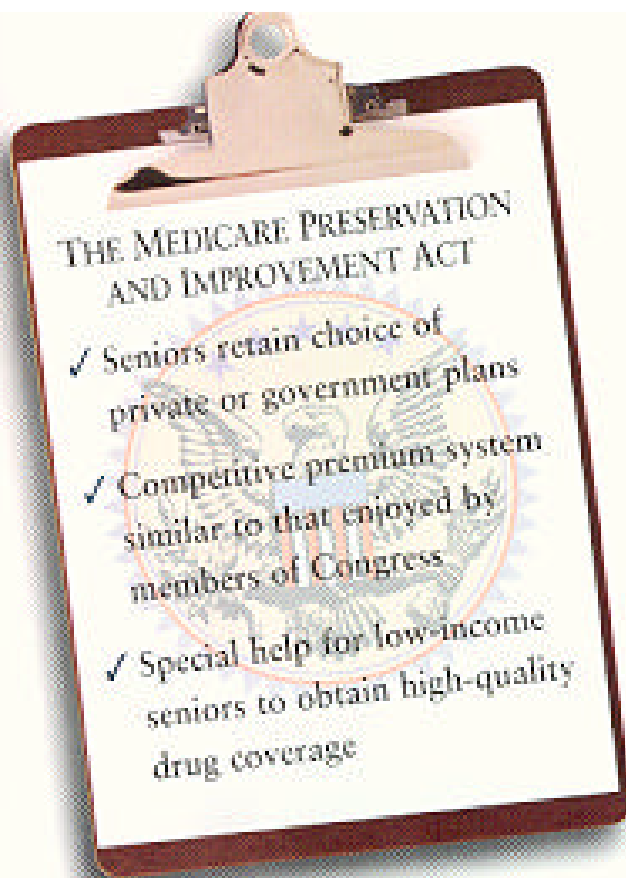
- Doctors and patients – not federal bureaucrats – should be in charge of prescription drug decisions.
- Low-income seniors should receive special help to afford the same good private coverage that other people have.

Now is the time to keep the need for sensible reforms on the top of Congress' agenda. Please call your members of Congress today.

★ ★ ★ ★ AMERICA SPEAKS OUT ★ ★ ★ ★

 <p>"It's up to us to get the message to the politicians that we don't want a big-government solution for Medicare. I don't want government telling me which medicines I have access to"</p> <p>– Fred H. Baerenz</p>	 <p>"Most seniors have private prescription drug coverage that they prefer over government plans. We need to protect the choices we have with our private plans."</p> <p>– Ann Baerenz</p>	 <p>"Common sense says we can help low-income seniors afford prescription drug coverage without effectively forcing everyone into a government-controlled scheme."</p> <p>– Frances Wrice</p>
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E D I T O R I A L

**More Big Government?
Or Better Medicare?**

One thing we all agree on is the need to improve Medicare coverage so that more seniors and disabled Americans have access to good prescription drug coverage.

The real question is how best to accomplish this goal. Powerful interests in the government seem to think that more bureaucracy and more government control over seniors' lives is the only answer.

But the facts show that their big-government plans would harm – rather than help America's seniors.

Now is the time to speak up for reforms that expand coverage for seniors who need help – without pushing everyone into an inferior government-run prescription drug program.

Please join Citizens for Better Medicare in our fight to improve drug coverage while protecting your right to choose your own plan.

**Bipartisan Plan Offers
Better Reform Ideas**

While some have chosen to play politics with your prescription drug coverage, others are offering serious ideas for reform.

Several Senators have joined forces to offer a promising new bipartisan plan to extend prescription drug coverage to needy Americans – without effectively pushing seniors into a government program.

The "Medicare Preservation and Improvement Act" is sponsored by Democratic Senators John Breaux of Louisiana and Robert Kerrey of

Nebraska, joined by Republicans Bill Frist of Tennessee and Chuck Hagel of Nebraska.

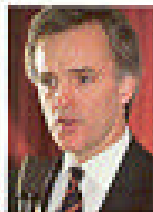
The plan helps ensure the long-term financial security of Medicare and offers several coverage choices. "We have included drug benefits along with structural reforms because the system must be updated and financially solvent before this nation can afford to add the prescription drug coverage millions of Medicare beneficiaries need and deserve," said the Senators.



*Senator
John Breaux
D-Louisiana*



*Senator
Bill Frist
R-Tennessee*



*Senator
Robert Kerrey
D-Nebraska*



*Senator
Chuck Hagel
R-Nebraska*

National Survey: Seniors Reject Proposal for Government-Run Prescription Drug System

A national survey shows that seniors want to keep their private prescription drug coverage and don't want government bureaucrats interfering in decisions better left to doctors and their patients.

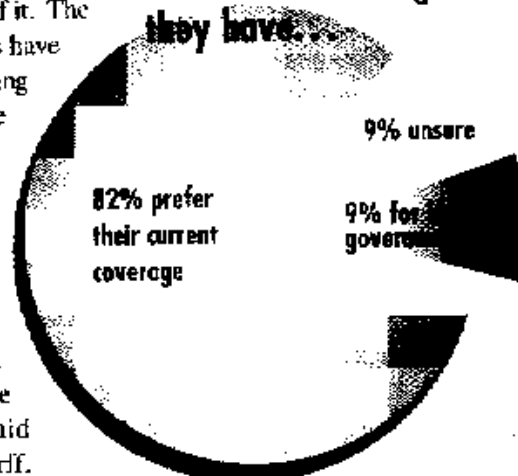
The extensive study of American seniors said that fully 82% prefer their private prescription coverage and would reject any plan that would cause them to end up in a government program to get the medicines they need.

The survey also indicates that the top priority for America's seniors is to keep

patients and their doctors in control of which medicines are prescribed – and to keep federal bureaucrats out of it. The big-government plans have been criticized for putting the giant Health Care Financing Agency in charge of prescription drug programs.

"America is looking for common-sense solutions to improve prescription drug coverage for those who are in need," said Pullster Bill McInturff.

Seniors don't want to lose the coverage they have...



Citizens for Better Medicare now 85,000 strong and growing

- Alliance for Aging Research
- Alliance for Lung Cancer Advocacy, Support & Education
- Alzheimer's Aid Society of Northern California
- American Menopause Foundation
- American Trauma Forensic Institute
- America's Future Foundation
- Andrew's Buddies Corp.
- Association of Black Cardiologists
- Associated Industries of Kentucky
- Broward Community Council, Inc.
- California Healthcare Institute
- California Manufacturers Association
- Cancer Research Institute
- Citizens Against Government Waste
- Cooperative Cancer Coalition
- Council for Affordable Health Insurance
- Florida Hispanic Chamber of Commerce
- Healthcare Institute of New Jersey
- Healthcare Leadership Council
- Healthcare Marketing & Communications Council
- Hawaii Chamber of Commerce & Industries, Inc.
- Katy Mother's Network
- Kidney Cancer Association
- Log Cabin AIDS Policy Institute
- Men's Health Network
- National Association of Manufacturers
- National Foundation for Brain Research
- National Hispanic Council on Aging
- National Tuberculosis Foundation
- Pennsylvania Healthcare Technology Network
- Pharmaceutical Research and Manufacturers of America
- Robbie Sierra Lambert Spinal Cord Organization for Regaining Excellence
- Sickle Cell Disease Association of America, San Antonio
- Small Business Survival Committee
- Taxpayers Association, Inc.
- The Seniors Coalition
- Third Millennium
- TMJ Society of California
- United Seniors Association
- United States Chamber of Commerce
- 14th Street Business Association
- 60 Plus Association

SPONSORING ORGANIZATIONS



Appendix III – List of PhRMA Members

Abbott Laboratories Abbott Park, IL	Cambridge, MA	Gilead Sciences, Inc. Foster City, CA
Allergan, Inc. Irvine, CA	Boehringer Ingelheim Corporation Ridgefield, CT	Glaxo Wellcome plc Research Triangle Park, NC
ALZA Corporation Mountain View, CA	Boehringer Ingelheim Pharmaceuticals, Inc. East Ridgefield, CT	Hoechst Marion Roussel, AG (see Aventis Pharma AG)
American Home Products Corporation Madison, NJ	Roxane Laboratories, Inc. Columbus, OH	Hoffmann-La Roche Inc. Nutley, NJ
Wyeth-Ayerst Global Pharmaceuticals Philadelphia, PA	Bristol-Myers Squibb Company New York, NY	Immunex Corporation Seattle, WA
Wyeth-Ayerst Research Philadelphia, PA	Bristol-Myers Worldwide Medicines Group Princeton, NJ	Johnson & Johnson New Brunswick, NJ
Amgen Thousand Oaks, CA	E.I. du Pont de Nemours & Company Wilmington, DE	Centocor, Inc. Malvern, PA
Ares-Serono International Norwell, MA	Elan Pharmaceuticals Wholly Owned Subsidiary of Elan Corporation, plc. South San Francisco, CA	Johnson & Johnson Clinical Diagnostics, Inc. Rochester, NY
AstraZeneca PLC Wayne, PA	The Liposome Company Princeton, NJ	Cordis Corporation Miami, FL
Aventis Pharma AG Bridgewater, NJ	Fujisawa Healthcare, Inc. Deerfield, IL	Johnson & Johnson Health Care Systems, Inc. Piscataway, NJ
Aventis Pasteur Swiftwater, VA	Genentech, Inc. South San Francisco, CA	DePuy Inc. formerly Johnson & Johnson Professional, Inc. Warsaw, IN
Bayer Corporation Pittsburgh, PA	Genzyme Corporation Cambridge, MA	

R.W. Johnson
Pharmaceutical Research
Institute
Raritan, NJ

Ethicon Endo-Surgery, Inc.
Cincinnati, OH

Ortho Biotec Inc.
Raritan, NJ

Indigo Medical, Inc.
a subsidiary of Ethicon
Endo-Surgery, Inc.
Cincinnati, OH

Ortho-Clinical Diagnostics
Raritan, NJ

ETHICON, INC.
Somerville, NJ

Ortho-Dermatological
subsidiary of Johnson &
Johnson
Skillman, NJ

Advanced Sterilization
Products a division of
ETHICON, INC.
Irvine, CA

Ortho-McNeil
Pharmaceutical, Inc.
Raritan, NJ

Johnson & Johnson Medical
Inc. a division of ETHICON,
INC.
Arlington, TX

Therakos
Exton, PA

Janssen Pharmaceutica, Inc.
Titusville, NJ

Vistakon
Jacksonville, FL

Knoll Pharmaceutical
Company
Mount Olive, NJ

Eli Lilly and Company
Indianapolis, IN

Merck & Co., Inc.
Whitehouse Station, NJ

Merck Human Health
Division
West Point, PA

Merck Vaccine Division
West Point, PA

Merck Research
Laboratories
West Point, PA

Novartis Pharmaceuticals
Corporation
East Hanover, NJ

Nycomed Amersham
Imaging
Princeton, NJ

Organon Inc.
West Orange, NJ

Pfizer Inc
New York, NY

Pharmacia Corporation

Peapack, NJ

The Procter & Gamble
Company
Mason, OH

Purdue Pharma L.P.
Norwalk, CT
Rhône-Poulenc Rorer Inc.
(see Aventis Pharma AG)

Sanofi-Synthelabo Inc.
New York, NY

Schering-Plough
Corporation
Madison, NJ

SCHWARZ PHARMA
Milwaukee, WI

SmithKline Beecham
Philadelphia, PA

SmithKline Beecham
Pharmaceuticals
Philadelphia, PA

Solvay Pharmaceuticals, Inc.
Marietta, GA

Unimed Pharmaceuticals,
Inc. a Solvay
Pharmaceuticals, Inc.
Company
Deerfield, IL

3M Pharmaceuticals
St. Paul, MN

Warner-Lambert Company
Morris Plains, NJ

Agouron Pharmaceuticals,
Inc.

La Jolla, CA

Parke-Davis
Morris Plains, NJ

Appendix IV – Citizens for Better Medicare’s Member List (as of June 2000)

Alliance for Aging Research	Cooperative Cancer Coalition	National Hispanic Council on Aging
Alliance for Lung Cancer Advocacy, Support & Education	Council for Affordable Health Insurance	National Tuberos Sclerosis Foundation
Alzheimer's Aid Society of Northern California	Florida Hispanic Chamber of Commerce	Pennsylvania Healthcare Technology Network
America's Future Foundation	Healthcare Institute of New Jersey	Pharmaceutical Research and Manufacturers of America (PhRMA)
American Menopause Foundation	Healthcare Leadership Council	Robbie Vierra Lambert Spinal Cord Organization for Regaining Excellence
American Trauma Forensic Institute	Healthcare Marketing and Communications Council	Sickle Cell Disease Association of America, San Antonio
Andrew's Buddies Corp.	Hialeah Chamber of Commerce and Industries, Inc.	Small Business Survival Committee
Associated Industries of Kentucky	Katy Mother's Network	TMJ Society of California
Association of Black Cardiologists, Inc.	Kidney Cancer Association	The Seniors Coalition
Broward Community Council Inc.	Log Cabin AIDS Policy Institute	Taxpayers Association, Inc.
California Healthcare Institute	Men's Health Network	Third Millennium
California Manufacturers Association	National Association of Manufacturers	United Seniors Association
Cancer Research Institute	National Burn Victim Foundation	United States Chamber of Commerce
Citizens Against Government Waste	National Foundation for Brain Research	
Public Citizen's Congress Watch		

14th Street Business
Associations

60 Plus Association

DEC 28 1999



TESTIMONY DETAILS RISK TO SENIOR PRESCRIPTION DRUG COVERAGE

- Nearly 9 million seniors could lose their private prescription drug coverage if the Clinton big-government plan is made part of Medicare.
- Clinton Administration admits that it would enroll 80% of Medicare beneficiaries into its big-government plan on day one.
- Seniors reject paying premiums for big-government insurance scheme. Most prefer better private coverage.

What could Bill Luther be thinking?

Most seniors already have coverage for prescription drugs. And those that don't have insurance want the same high-quality coverage that most people have.

But if the Clinton Administration's big-government scheme for Medicare prescription drug coverage passes, most seniors will lose their choice for private drug coverage.

You could be forced to pay premiums to a government-run plan to get the medicine you need – a plan where federal bureaucrats set the rules instead of you and your doctor.

Congress should help low-income seniors afford private coverage – instead of forcing everyone to accept big-government plans.

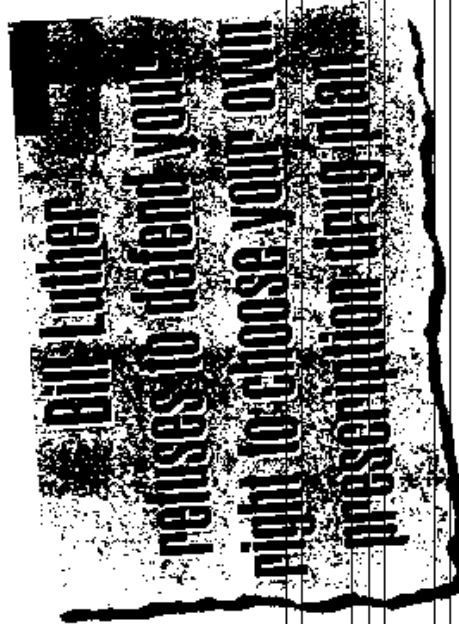
Bill Luther should protect your right to choose your own coverage – instead of going along with this big-government scheme.

It's time to tell Bill Luther and the other politicians -

HANDS OFF OUR PRESCRIPTION DRUG CHOICES!

TO SEND A MESSAGE ABOUT PROTECTING YOUR PRESCRIPTION DRUG CHOICES

Call: 1-888-822-1698



Call for the Seniors Coalition

Appendix VI – PhRMA’s Secret Playbook

In January, 2000, Public Citizen released a report entitled “PhRMA’s Secret Playbook” that detailed the drug lobby’s efforts to coordinate think-tank research on the Medicare and drug pricing issues. The reach of PhRMA is substantial when it comes to working with some of Washington’s most well-funded conservative think tanks and lobbying organizations. Below is a list of scheduled activities on the PhRMA calendar, which is also attached. (An asterisk * indicates membership in Citizens for Better Medicare):

- Jan. 10 “Goldberg study: Canada access; HIAA [Health Insurance Association of America] Hill briefing: drug costs.” “Goldberg” appears to be Dr. Robert Goldberg, of the Ethics and Public Policy Center.
- Jan. 14 “CSE [Citizens for a Sound Economy] paper.”
- Jan. 16 “NCPA [National Center for Policy Analysis] paper.”
- Jan. 17 “CBM [Citizens for Better Medicare] ads begin.”
- Jan. 20 “Hispanic BRT [Business Round Table] Survey.”
- Jan. 23 “Two Heritage [Foundation] papers: Canada & Clinton plan.”
- Jan. 26* “CAI [Council for Affordable Health Insurance] press conference
- Jan. 28 “AEI [American Enterprise Institute] Price control overview book released.”
- Feb. 2 “NTU [National Taxpayers Union] study release.”
- Feb. 9* “CAGW [Citizens Against Government Waste] study on MoC [Members of Congress] plan vs. Clinton.”
- Feb. 16* “Release of 3rd Millennium study on Clinton plan.”
- Feb. 21 * “Small Biz [Business] Survival Committee roll-out begins.”
- Feb. 27 “HIMA [Health Industry Manufacturers Association] Studies: Value of Tech; Reimbursements”
- Feb. 28 “Tozzi Study.” This reference appears to be Jim Tozzi, a lobbyist for the Health Benefits Coalition in 1998 and PhRMA members Amgen and Zeneca. According to its mission statement, the HBC was “formed out of concern that federal health care mandates proposed in Congress under the guise of ‘patient protections’ would increase health care costs” Tozzi, a former senior official at the Office of Management and Budget (OMB) during the Reagan and Carter administrations, previously has worked to discredit the risk of second-hand smoke on behalf of Phillip Morris and its allies.

January

Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1
2	3 Grass tops letters cont.	4	5 Employer/Health/Think Tank Ally Meeting	6 AD Sec Call on Educ. Allies on SOTU Fed Sec Mig	7 Heimbold mtg. (NYC)	8
9	10 Pre-SOTU Polling; Goldberg study; Canada access; HIA Hill briefing; drug crisis	11 Atlantic Monthly briefing CEO edit call - Gilmarth	12 AD Call on Educ. Emp. SOTU; AIM Hill Med. briefing (Private Sec Quab); Sperling, Summers supp.	13 PhRMA Executive Committee	14 CSE Paper (T)	15 Polling on Breanz-Brist (T)
16 NCPA Papers: MA Proposal, Drug Store Mark-up Myths a hour Profits	17 PhRMA ads begin; CBM ads begin; Direct mail drop; CBM phone banks	18 RNC Health LA Briefing; PhRMA annual press briefing; Release HHS/Clinton studies	19 PA Section mtg. CEO edit call - Taurel; PhRMA release of polling data	20 Hispanic BRT Survey; Hill Briefing; Holmer HMC Council speech	21 Canada day release (Fraser, Lewin) and Hill Briefing Calgary Herald ad	22 State media tours on Canada begin (MN, WA, VT, MA, ME, MI, MT, OR)
23 Two Heritage Papers: Canada & Clinton Plan into DC; ads and studies; CBM ad	24 Ads continue; Hill Leg staff briefing	25 SOTU Ally Organizing meeting	26 Tape Holmer response to SOTU; CAHF press conf. in Orlando	27 SOTU; feed Holmer response Ind. Institute ad	28 AEJ Price Control Overview book Released; Develop post-SOTU messages & polling	29
30	31 Primer ready(T); Ads continue; Release price control study (T)					

2000

February

Sun	Mon	Tue	Wed	Thu	Fri	Sat
		1 CEO edit call - (Zenker) State Media tours on price controls begin	2 NTJ study release Holmer AARP	3 Release of CAHI study on uninsured	4 NCPA Briefing on Cost Analysis of Brands/Generics	5
6 Leichter study briefing: impact on cancer patients (T)	7 Greenberger release on Canada/women (possible Bill briefing)	8	9 Release of CAGW study on Med. plan vs. Clinton	10	11	12
13	14 PhRMA Release of premium increase study	15 Anti-Allen bill mailing (T)	16 Release of 3 rd Millennium study on Clinton plan PhRMA-AMA Dinner	17 PhRMA Board Meeting CEO edit call (Biodex)	18	19
20	21 Small Biz Survival Committee roll-out begins	22 Activist KIT II mailing (T)	23 Release of Economic Impact of Rx Industry study (national & states)	24	25	26
27 HIMA Studies: Value of Tech; Re-Insurements	28 Tozzi Study (T)	29				

2000

ETHICS
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PUBLIC Washington, D.C. 20005
POLICY telephone (202) 682-1200
CENTER fax (202) 408-0632

January 17, 2000

To: Alixe

From: Bob Goldberg

Subject: Support in The Gathering Storm

As you know, last year I put out a steady stream of articles (see attached samples), did dozens of radio interviews and participated in a number of live and televised forums on the issue of prescription drug coverage. I plan to renew this effort. Additionally, I have been asked by several organizations to do papers, articles, editorials on various issues ranging from responses to the charge that the pharmaceutical industry is not paying its 'fair share' in taxes to the impact of a government run drug plan on the future of biomedical research to the canard that somehow 'we' (meaning government and insurance companies) can't afford the future stream of new drugs. I also want to work with other policy types and editorial writers to bring them into the fray. Needless to say, I am also help in getting organized in the months ahead.

Ironically I have been so busy that I have not had time to reach out to the right people for such additional funding. So now I am asking your help to help me contact the appropriate individuals in various companies to support my research and writing.

You know that I have made an impact and regard what I do as a mission, not just a academic pursuit. Let's keep this going. Thanks.