

Obama announces agreement with drug companies

22 June 2009, By JENNIFER LOVEN , AP White House Correspondent



President Barack Obama gestures during his remarks on lower drug cost, Monday, June 22, 2009, in Diplomatic Reception Room of the White House in Washington. From left are, AARP Chief Executive Officer Barry Rand, the president, Senate Finance Committee Chairman Sen. Max Baucus, D-Mont. and acting Senate Health, Education, Labor and Pensions Committee Chairman Sen. Christopher Dodd, D-Conn.(AP Photo/Pablo Martinez Monsivais)

(AP) -- President Barack Obama on Monday welcomed the pharmaceutical industry's agreement to help close a gap in Medicare's drug coverage, calling the pact a step forward in the push for overhaul of the nation's health care system.

Obama said that drug companies have pledged to spend \$80 billion over the next decade to help reduce the cost of drugs for seniors and pay for a portion of Obama's [health care legislation](#). The agreement with the pharmaceutical industry would help close a gap in prescription drug coverage under Medicare.

"This is a significant breakthrough on the road to health care reform, one that will make a difference in the lives of many older Americans," Obama said in the White House's Diplomatic Room.

He was joined by Sen. Max Baucus, D-Mont., the

chairman of the Senate Finance Committee who struck the deal with the White House; Sen. Chris Dodd, D-Conn., and Barry Rand, head of the senior citizens' advocacy group AARP. Notably absent was a representative from the pharmaceutical association.

"It was always designed to be an AARP event," said Ken Johnson, spokesman for the association. "We don't think we should have been invited to it."

Johnson said Billy Tauzin, the group's president and a former Republican congressman from Louisiana, will attend a town hall meeting on health care that Obama is staging at the White House on Wednesday.

Johnson said there are other parts to the agreement that have still not been completed, but he declined to provide details.

"There are a lot of discussions going on right now, there are a lot of moving pieces, there are a lot of elements to it that have not been finalized," Johnson said.

The president used the opportunity to make his sternest call yet for action, saying the drug agreement is one piece of ["health care reform"](#) I expect Congress to enact this year."

Obama said the move on Medicare will help correct an anomaly in the program that provides a prescription drug benefit through the government health care program for the elderly and disabled. Under the deal, drug companies will pay part of the cost of brand name drugs for lower and middle-income older people in the so-called "doughnut hole." That term refers to a feature of the current drug program that requires beneficiaries to pay the entire cost of prescriptions after initial coverage is exhausted but before catastrophic coverage begins.

Obama said some Medicare beneficiaries will find at least a 50 percent discount on prescription drugs. Obama says drug companies stand to benefit when more Americans can afford [prescription drugs](#).

The drug companies' investment would reduce the cost of drugs for seniors and pay for a portion of Obama's proposed revamping of health care.

"This is an early win for reform," Rand said.

Under the agreement, part of the \$80 billion would be used to halve the cost of brand name drugs for Medicare recipients when they are in a coverage gap of the program. AARP, which represents 40 million older Americans, has long lobbied to eliminate that coverage gap completely.

The deal would affect about 26 million low- and middle-income recipients of the program's enrollees, AARP said. It would apply to brand name and biologic drugs, but not generics, the group said, and likely take effect in July 2010, assuming drug overhaul legislation becomes law.

Under Medicare's Part D prescription drug program, recipients pay about 25 percent of the cost of their drugs until they and the government have paid \$2,700.

At that point, beneficiaries must cover the full cost of drugs until they have spent \$4,350 from their own pockets. When they reach that amount, Medicare's catastrophic drug benefit takes effect, and recipients only pay 5 percent of their drugs' costs until the end of the year.

Associated Press Writer Alan Fram contributed to this report.

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