

PHARMACIA

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The Honorable Nancy Johnson
Chairwoman, Subcommittee on Health
Ways and Means Committee
United States House of Representatives
Washington, DC 20515

Dear Chairwoman Johnson:

On behalf of Pharmacia Corporation, I am writing to express our support for the approach you and Chairman Thomas have taken in crafting the Medicare legislation to be considered by the Full Committee this week. We are particularly pleased that you have chosen a private market approach that includes stop loss coverage similar to what Pharmacia has been advocating over the past three years.

Stop Loss Coverage

In August of 1999, Pharmacia CEO Fred Hassan wrote in The Wall Street Journal about stop loss coverage as a concept that might bring peace of mind to our senior citizens while preserving a free market approach. We are pleased that your bill includes stop loss coverage and are hopeful that a drug benefit including such coverage can be enacted this year.

Private Market Approach

At Pharmacia, we believe that it is vital to improve the access of senior citizens to life saving medicines. Therefore, we support enacting a drug benefit for the Medicare program this year. However, we believe that it is equally important to ensure that our nation's health policies continue to provide incentives for the continued research and development of innovative new medicines. That is why we are pleased that you have chosen a drug benefit design that relies on the private market.

We believe that a government-run drug benefit would lead to price controls that could hamper innovation. Senior citizens should have access to a drug benefit that builds on the best the private market has to offer. In this way, we believe that costs can be controlled without jeopardizing research and development efforts.

The reinsurance approach you have chosen is an excellent balance of federal subsidies and private market controls. By leaving the private drug benefit plans at risk for the coverage they offer, you have developed what is truly a private market program.

PHARMACIA**New Technology Provisions**

While we have not had a chance to review all the details of your bill, we understand that the legislation contains provisions to clarify the intent of Congress with regard to the new technology designation established by the Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act (BIPA). We fully support any efforts to ensure that new technologies reach the patients who need them. We have significant concerns that CMS's implementation of the original policy does not address the "chilling effect" of inadequate hospital reimbursement that causes some new medicines to be under-utilized.

Full Funding for Drug Coverage

Finally, we are pleased that the Committee has chosen to provide full funding for its proposed drug coverage. In an effort to keep budget scoring estimates down, other proposals would "sunset" drug coverage. We think that Medicare beneficiaries deserve a drug benefit on which they can rely. Any drug benefit that is enacted should remain in place until more comprehensive modernization of the Medicare program, including an integrated drug benefit, can occur.

We thank you for your leadership on this very important issue to the health of our nation's senior citizens.

Best regards,



Edward F. Greissing, Jr.

THE WALL STREET JOURNAL WEDNESDAY, AUGUST 11, 1999

Free-Market Medicare Reform

By FRED HASSAN

Not long after I became CEO of Pharmacia & Upjohn in 1997 we made a fundamental decision to move our company's world headquarters from Europe to the U.S. We did so because the U.S. has become the undisputed heartland for pharmaceutical innovation thanks to its free markets. U.S. citizens in turn have been served very well indeed: Nearly half of all new therapies are discovered here, and patients in this country have the earliest access to the newest and best lifesaving treatments.

Europe has selected a different path, attempting to limit health-care spending by implicit or explicit price controls. This has reduced access to new treatments for patients, driven research and development of new drugs to the U.S., and taken away high-paying value-added jobs. Knowing this, why would U.S. policy makers seriously consider following in European footsteps and jeopardize significant medical as well as competitive advantages?

Yet that is exactly what may well result from proposed interim fixes to our current Medicare system. Despite claims to the contrary, the Clinton administration's current proposals for Medicare reform would result in government control of up to 40% of the marketplace through regional buyers' monopolies, or "monopsonies." The result would be fewer medical innovations, reduced choice for patients, and major cost increases throughout the rest of the health-care system.

There is no question that we need a thorough overhaul of Medicare to address a variety of shortcomings. But until our politi-

cal leaders are prepared to carry out the kind of careful and wide-ranging redesign that is required, they must make sure that interim measures address the truly urgent needs of our citizens, while preserving the free market climate that is so vital to medical innovation and patient choice.

Let me suggest an alternative approach that will respond to seniors' anxiety about prescription drug costs while preserving our free market approach. I propose that our government and private-sector insurers together provide a "stop loss" program that would fully cover all pharmaceutical costs of chronic or devastating disease, once a preset level of out-of-pocket payments by those insured has been exceeded. Americans today rest easy knowing that their money will not be lost if a bank collapses. We should provide this same peace of mind to the elderly when it comes to extraordinary health-care costs.

Under a "stop-loss" arrangement, there would be no separate federal program. Rather, Medicare would serve as a re-insurer of benefits delivered through the private drug plan of the beneficiary's choice. All senior citizens would be assured of meaningful protection, while existing private coverage would be maintained. Because the benefit would be targeted on those who experience extraordinary expenses, the costs to the taxpayer of this insurance-based approach would be a small fraction of the entitlement-style solutions proposed by others.

Mr. Hassan is CEO of Pharmacia & Upjohn.