

# **A Profitable Stranglehold - The Pharmaceutical Industry's Investment in Lobbying and Politics**

**Ver. 1.1**

**October 3, 2016**

Prepared by the Institute for Health and Socio-Economic Policy

*The Institute for Health & Socio-Economic Policy (IHSP) is a non-profit policy and research group and is the exclusive research arm of the California Nurses Association/National Nurses United. The IHSP focus is current political/economic policy analysis in health care and other Industries and the constructive engagement of alternative policies with international, national, state and local bodies to enhance promote and defend the quality of life for all.*

*The Health Care Advisory Board is comprised of scholars and policy activists from the Albert Einstein College of Medicine, Boston University, Harvard University, the Canadian National Federation of Nurses' Unions, the New School New York and the University of California.*

## SUMMARY

### → **The Pharmaceutical industry is the leading spender on political influence in Washington, D.C.**

- Between 1998 and 2016 the Pharmaceutical industry spent \$3.4 billion on federal lobbying, an average of \$179 million per year
- The Pharmaceutical industry held first place in combined federal lobbying expenditures over the 1998 to 2016 period, out-pacing the second place Insurance industry by a billion dollars
- In 2015 the industry used its lobbying expenditures to deploy an army of 1,400 corporate lobbyists

### → **Through federal lobbying expenditures the industry has achieved a primary goal: protecting its massive profits by preventing Medicare from being permitted to negotiate drug prices**

- Over 28% of all prescription drugs purchased in the U.S. are purchased by Medicare
- If Medicare were permitted to negotiate over drug prices, the federal government could get back the billions it needlessly gives the Pharmaceutical industry every year, with estimates ranging from federal savings of \$22 billion to as high as \$54 billion annually
- If one assumes that all of the Pharmaceutical industry's \$3.4 billion lobbying effort has gone only to preventing Medicare from negotiating over drug prices, the industry's return on investment (ROI) from federal lobbying ranges from a \$123 per every dollar spent (12,300% return), assuming a federal savings of \$22 billion per year, to \$303 per every dollar spent (30,300% return), assuming a federal savings of \$54 billion per year

### → **While the Pharmaceutical industry spends far more on lobbying than on political contributions at the federal level, the amounts are significant**

- The Pharmaceutical industry gave \$340 million in political contributions to candidates for Congress in the 1990 to 2016 period

### → **The Pharmaceutical industry spends significant sums on lobbying and political contributions in the State of California**

- Pharmaceutical companies are expected to spend at least \$100 million opposing Proposition 61, the California Drug Price Relief Act
- The industry spent \$75 million on lobbying in California between 2000 and 2016
- Between 1998 and 2016 the industry spent \$17 million on contributions directly to political candidates for California state offices

## A Profitable Stranglehold - The Pharmaceutical Industry's Investment in Lobbying and Politics

Pharmaceutical companies are expected to pour at least \$100 million into an effort to squash Proposition 61, the California Drug Price Relief Act that will be on the November ballot.<sup>1</sup> As of September 16, 2016, large pharmaceutical companies including Johnson and Johnson, Pfizer and GlaxoSmithKline, had already contributed \$86.6 million to continue to protect their massive profits.<sup>2</sup>

No sector of the economy is a bigger believer in the power of spending money on political influence than the Pharmaceutical industry. From dawn to dusk the industry is using its resources to build the political machinery that will further game the system to its benefit. Whether the industry is justifying its ever-higher prices,<sup>3</sup> profits,<sup>4</sup> or its exploitation of the patent system,<sup>5</sup> (each examined in the first three IHSP briefs), its target audience is first and foremost the political decision-makers who have the power to reign in, or at least tamp down on the brakes, of the industry's money-generating machinery.

The Pharmaceutical industry is far and away the leading spender on political influence in Washington, D.C. The industry has the town wired, bankrolling a massive 'coalition of the billing', its standing army of corporate lobbyists that defend and advance its interests. In 2015 these lobbyists totaled 1,400, or more than two for each of the 535 members of Congress.<sup>6</sup> Between 1998 and 2016 the industry spent \$3.4 billion on federal lobbying, an average of \$178.7 million annually.<sup>7</sup> The Pharmaceutical industry outspent the Insurance industry, which occupies second place, in combined lobbying expenditures between 1998 and 2016, by more than one billion dollars.<sup>8</sup> During this period the Pharmaceutical industry spent nearly twice the Oil & Gas industry's \$1.9 billion.<sup>9</sup> In fact, the Pharmaceutical industry has led in lobbying

---

<sup>1</sup> Drug makers spend big to fight California price control referendum, *Politico*, 4/25/16

<http://www.politico.com/story/2016/04/drug-makers-california-referendum-222334>, accessed 5/25/16

<sup>2</sup> Maplight.org, California Ballot Measure Fundraising, 9/20/16, <http://maplight.org/content/california-ballot-measure-fundraising>, accessed 9/27/16

<sup>3</sup> Institute for Health and Socio-Economic Policy (IHSP), Tough Pill to Swallow– The High Price of Prescription Drugs in the US, Ver 1.2, Sept 27, 2016, [http://nurses.3cdn.net/e4bc726436f172e367\\_t6m6bhjsj.pdf](http://nurses.3cdn.net/e4bc726436f172e367_t6m6bhjsj.pdf)

<sup>4</sup> Institute for Health and Socio-Economic Policy (IHSP), Global Pill-Age: Pharmaceuticals Making a Killing, Ver. 1.2, September 30, 2016, [http://nurses.3cdn.net/1b3e376e86ade237cd\\_50m6b34ge.pdf](http://nurses.3cdn.net/1b3e376e86ade237cd_50m6b34ge.pdf)

<sup>5</sup> Institute for Health and Socio-Economic Policy (IHSP), Game of Patents- How the US Government and Big Pharma Protect Pharmaceutical Profits, Ver 1.1 September 30, 2016, [http://nurses.3cdn.net/6122b37c9e91af0fbd\\_35m6b5a24.pdf](http://nurses.3cdn.net/6122b37c9e91af0fbd_35m6b5a24.pdf)

<sup>6</sup> Center for Responsive Politics, Opensecrets.org, Influence and Lobbying, Pharm/Health Prod, 2015 [https://www.opensecrets.org/lobby/indusclient\\_lob.php?id=H04&year=2015#](https://www.opensecrets.org/lobby/indusclient_lob.php?id=H04&year=2015#), accessed 9/27/16, *Note: Data from the Senate Office of Public Records for the most recent year was downloaded on August 09, 2016. The figures include expenditures by companies producing medical supplies, nutritional and dietary supplements as well as pharmaceutical manufacturing*

<sup>7</sup> Center for Responsive Politics, Opensecrets.org, Influence and Lobbying, Top Industries, <https://www.opensecrets.org/lobby/top.php?showYear=a&indexType=i>, accessed 10/3/16, *Note: Data from the Senate Office of Public Records for the most recent year was downloaded on August 09, 2016. The figures include expenditures by companies producing medical supplies, nutritional and dietary supplements as well as pharmaceutical manufacturing.*

<sup>8</sup> Ibid

<sup>9</sup> Ibid

expenditures in each and every year over this period except 1998, when the Tobacco industry claimed the top spot.<sup>10</sup>

In 2015 alone, the top ten most profitable Pharmaceutical companies earned \$409 billion in sales revenue.<sup>11</sup> As in past years, a portion of these revenues will be spent on politics to create an even greater return on investment. This vast outlay of resources has allowed the Pharmaceutical industry to create a profitable stranglehold on our nation's capital, allowing the industry to obstruct meaningful reform while continuing to advance its interests and increase its wealth at our expense.

*Federal Lobbying Expenditures 1998-2016<sup>12</sup>*

	<b>Industries</b>	<b>Lobbying Expenditure \$</b>
<b>1</b>	Pharmaceuticals/Health Products	\$3,395,880,031
<b>2</b>	Insurance	\$2,348,468,087
<b>3</b>	Electric Utilities	\$2,129,376,100
<b>4</b>	Business Associations	\$1,946,673,849
<b>5</b>	Electronics Mfg & Equipment	\$1,940,503,766
<b>6</b>	Oil and Gas	\$1,847,575,425

Source: <http://www.opensecrets.org>

In 2015 alone the Pharmaceutical industry spent \$240 million, down slightly from the high water mark of \$273 million spent in 2009, leading up to the passage of the Affordable Care Act (ACA).

*Federal Lobbying Expenditures by Year 1998-2016<sup>13</sup>*

<b>Year</b>	<b>Lobbying Expenditure \$</b>
<b>2016</b>	\$129,059,236
<b>2015</b>	\$240,218,911
<b>2014</b>	\$230,214,638
<b>2013</b>	\$228,174,918
<b>2012</b>	\$236,785,389

<sup>10</sup> Ibid

<sup>11</sup> Institute for Health and Socio-Economic Policy (IHSP), Global Pill-Age: Pharmaceuticals Making a Killing, Ver. 1.2, September 30, 2016, [http://nurses.3cdn.net/1b3e376e86ade237cd\\_50m6b34ge.pdf](http://nurses.3cdn.net/1b3e376e86ade237cd_50m6b34ge.pdf)

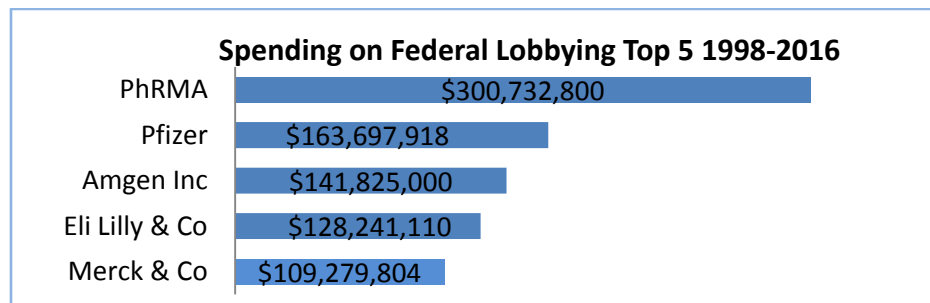
<sup>12</sup> Center for Responsive Politics, Opensecrets.org, Influence and Lobbying, Top Industries, <https://www.opensecrets.org/lobby/top.php?showYear=2016&indexType=i>, accessed 10/3/16 Data from the Senate Office of Public Records for the most recent year was downloaded on August 09, 2016. The figures include expenditures by companies producing medical supplies, nutritional and dietary supplements as well as pharmaceutical manufacturing.

<sup>13</sup> Center for Responsive Politics, Opensecrets.org, Pharmaceuticals/Health Products, Industry Profile, 2016 <https://www.opensecrets.org/lobby/indusclient.php?id=H04&year=2016>, accessed 10/3/16 Data from the Senate Office of Public Records for the most recent year was downloaded on August 09, 2016. The figures include expenditures by companies producing medical supplies, nutritional and dietary supplements as well as pharmaceutical manufacturing.

Year	Lobbying Expenditure \$
2011	\$242,363,920
2010	\$246,216,220
2009	\$272,905,917
2008	\$239,042,026
2007	\$226,956,758
2006	\$186,593,619
2005	\$166,820,556
2004	\$145,595,240
2003	\$129,800,720
2002	\$120,289,798
2001	\$99,784,597
2000	\$100,370,942
1999	\$85,029,372
1998	\$69,218,054

Source: <http://www.opensecrets.org>

At the Federal level the Pharmaceutical industry's main trade organization and lobby group, the Pharmaceutical Research and Manufacturer's Association (PhRMA), occupied the top spot for federal lobbying expenditures for the pharmaceutical sector over the entire 1998-2016 period, spending \$300.7 million.<sup>14</sup> For pharmaceutical firms, Pfizer led with \$163 million over the period with Amgen, Eli Lilly, and Merck all spending in excess of \$100 million lobbying at the federal level during these years.<sup>15</sup>



Source: <http://www.opensecrets.org>

<sup>14</sup> Center for Responsive Politics, Opensecrets.org, Top Spenders, <https://www.opensecrets.org/lobby/top.php?indexType=s>, accessed 10/3/16, Data from the Senate Office of Public Records for the most recent year was downloaded on August 09, 2016.

<sup>15</sup> Center for Responsive Politics, Opensecrets.org, Organizational Profiles, Pfizer, Inc <https://www.opensecrets.org/orgs/summary.php?id=D000000138&cycle=A>, Amgen, <https://www.opensecrets.org/orgs/summary.php?id=D000000391&cycle=A>, Eli Lilly <https://www.opensecrets.org/orgs/summary.php?id=D000000166&cycle=A>, Merck <https://www.opensecrets.org/orgs/summary.php?id=D000000275&cycle=A>, Note: Campaign finance totals for the current election cycle were released by the FEC on June 27, 2016 and by the IRS on May 02, 2016, outside spending data was released by the FEC on September 27, 2016, accessed 10/3/16

From these massive outlays of cash and its battalions of lobbyists, the Pharmaceutical industry expects a sizeable Return on Investment (ROI). Studies suggest that ROI for lobbying expenditures can be incredibly lucrative. A study of the effect of lobbying on corporate taxation found that lobbying returned in excess of \$220 for every \$1 spent on lobbying, or 22,000%.<sup>16</sup>

Over the past two decades, the Pharmaceutical industry has achieved one of its primary goals, protecting its massive profit margins by preventing Medicare from being permitted to negotiate drug prices. Twenty-eight percent of all prescription drugs purchased in the U.S. are purchased by Medicare.<sup>17</sup> If Medicare were permitted to negotiate over drug prices the federal government could save billions every year, with estimates ranging from \$21.9 billion to as high as \$54 billion annually.<sup>18</sup> If one assumes that all of the Pharmaceutical industry's \$3.4 billion lobbying effort, averaging \$179 million per year since 1998 has gone solely to this massive profit protection effort, the industry's ROI from federal lobbying ranges from a \$123 return per every dollar spent (12,300% return) to a \$303 return per every dollar spent (30,300% return). If one were to assume that one half of the Pharmaceutical industry's lobbying expenditures are devoted to preventing Medicare from negotiating drug prices, these returns would double.

*Pharmaceutical industry's Estimated Return on Investment (ROI) from Lobbying 1998-2016*

Potential Federal Savings Annually	Average Yearly Lobbying \$ (100% of spending to preventing Medicare negotiating drug prices)	Return on Investment (ROI) per \$1 dollar spent	% Return
\$21.9 billion	\$179 million	\$123	12,300%
\$54 billion	\$179 million	\$303	30,300%
Potential Federal Savings annually	Average Yearly Lobbying \$ (50% of spending to preventing Medicare negotiating drug prices)	Return on Investment (ROI) per \$1 dollar spent	% Return
\$21.9 billion	\$89 million	\$245	24,500%
\$54 billion	\$89 million	\$606	60,600%

Source: IHSP calculations

Frustrating meaningful reform that would allow Medicare to negotiate drug prices is just one area where the Pharmaceutical industry's political stranglehold stymies reform.

<sup>16</sup> Alexander, Raquel. M, Steven M. Mazza, and Susan Scholz, Measuring Rates of Return for Lobbying Expenditures: An Empirical Case Study of Tax Breaks for Multinational, Journal of Law and Politics, Vol. 25, Nov. 401, 2009 Corporations [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1375082](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1375082)

<sup>17</sup> Why the U.S. Pays More Than Other Countries for Drugs: Norway and other state-run health systems drive hard bargains, and are willing to say no to costly therapy. By Jeanne Whalen, Updated Dec. 1, 2015 <http://www.wsj.com/articles/why-the-u-s-pays-more-than-other-countries-for-drugs-1448939481>

<sup>18</sup> Gellad, Wallid F. et al "What if the Federal Government Negotiated Pharmaceutical Prices for Seniors? An Estimate of National Savings", Journal of General Internal Medicine, Sept. 2008 23(9) <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC2517993/>, accessed 8/11/16 ; Baker, Dean "Reducing Waste with an Efficient Medicare Prescription Drug Benefit" Center for Economic and Policy Research, Issue Brief, January 2013, <http://cepr.net/documents/publications/medicare-drug-2012-12.pdf> , accessed 8/11/16

## Congress's Revolving Door

Not only is the Pharmaceutical industry king of lobbying, it makes ample use of Washington, D.C.'s revolving door. Of the 1,400 Pharmaceutical industry lobbyists deployed in 2015, 60% have spent time in government, before revolving to private sector positions, where they can lucratively exploit their prior experience.<sup>19</sup> Rep. Billy Tauzin-LA, is perhaps the most famous example of the revolving door at work, leaving Congress in 2005 where he earned \$162,000 a year to accept a \$2 million position as President and CEO of PhRMA.<sup>20</sup> Prior to leaving Congress in 2003 as chairman of the House Committee on Energy and Commerce, Tauzin was instrumental in drafting the Medicare Act of 2003 that created the Medicare drug benefit, while at the same time preventing Medicare from negotiating drug prices.<sup>21</sup> Prior to 2003 the Pharmaceutical industry had opposed a Medicare drug benefit out of fear that the government might gain power to negotiate through bulk purchasing.<sup>22</sup> Tauzin helped to deliver on the Pharmaceutical industry's top priority and for that he was richly rewarded. When Tauzin retired from his post in 2010 he was the country's highest paid lobbyist earning, \$11.6 million that year.<sup>23</sup>

Tauzin may be the most famous example of the revolving door at work, but he's hardly alone. Currently, there are 431 former members of Congress working as lobbyists, or "senior advisors" who do similar work while not registering as lobbyists.<sup>24</sup> At the end of every two year term in the last three Congressional cycles, more than half the members who left Congress found work, many as lobbyists, or working for firms who employ lobbyists.<sup>25</sup>

---

<sup>19</sup> Center for Responsive Politics, Opensecrets.org, Influence and Lobbying, Pharm/Health Prod, 2015 [https://www.opensecrets.org/lobby/indusclient\\_lob.php?id=H04&year=2015#](https://www.opensecrets.org/lobby/indusclient_lob.php?id=H04&year=2015#), accessed 9/27/16, *Note: Data from the Senate Office of Public Records for the most recent year was downloaded on August 09, 2016. The figures include expenditures by companies producing medical supplies, nutritional and dietary supplements as well as pharmaceutical manufacturing*

<sup>20</sup> Potter, Wendell and Nick Penniman, The Lobbyist Who Made You Pay More at the Drugstore, Moyers & Company, <http://billmoyers.com/story/the-man-who-made-you-pay-more-at-the-drugstore/>, March 18,2016

<sup>21</sup> Obama's Biggest Health Reform Blunder:How Big Pharma's Billy Tauzin conned the White House out of \$76 billion, 8/6/2009, [http://www.slate.com/articles/news\\_and\\_politics/prescriptions/2009/08/obamas\\_biggest\\_health\\_reform\\_blunder.html](http://www.slate.com/articles/news_and_politics/prescriptions/2009/08/obamas_biggest_health_reform_blunder.html), accessed 10/3/16

<sup>22</sup> "How Corporate Lobbyists Conquered American Democracy" The Atlantic, 4/20/2015 <http://www.theatlantic.com/business/archive/2015/04/how-corporate-lobbyists-conquered-american-democracy/390822/>, accessed 10/3/16

<sup>23</sup> Center for Responsive Politics, Opensecrets.org, Tauzin's \$11.6 Million Made Him Highest-Paid Health-Law Lobbyist, Bloomberg, 11/28/2011 <http://www.bloomberg.com/news/articles/2011-11-29/tauzin-s-11-6-million-made-him-highest-paid-health-law-lobbyist>, accessed 10/3/16

<sup>24</sup> Center for Responsive Politics, Opensecrets.org, Former Members, <https://www.opensecrets.org/revolving/top.php?display=Z>, accessed 9/27/16

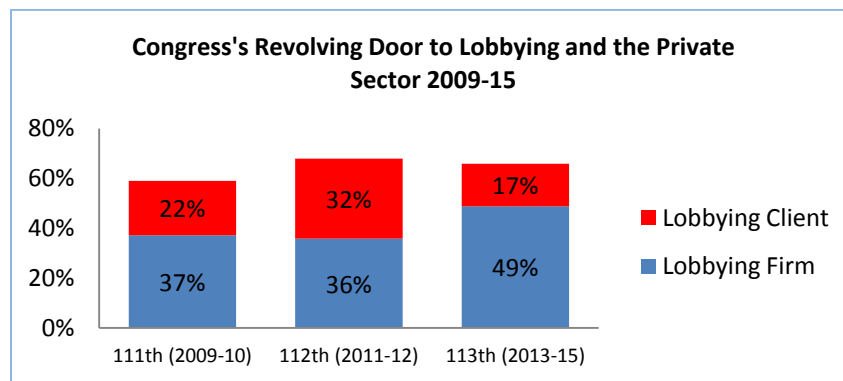
<sup>25</sup> Center for Responsive Politics, Opensecrets.org, Revolving Door <http://www.opensecrets.org/revolving/departing.php?cong=113>; <http://www.opensecrets.org/revolving/departing.php?cong=112>; <http://www.opensecrets.org/revolving/departing.php?cong=111>, accessed 10/3/16

*Employment After Leaving Congress*<sup>26</sup>

Congress	Members Who Left Congress	Found New Employment	Pct. %
113th 2013-15	75	41	54.6%
112th 2011-12	97	49	50.1%
111th 2009-10	118	78	66.1%

Source: <http://www.opensecrets.org>

Of those who landed jobs after leaving Congress at the end of the 2013-15 cycle, half (49%) went to work as lobbyists, and nearly 1/5th went to firms who are clients of lobbyists.<sup>27</sup>



Source: <http://www.opensecrets.org>

**Campaign Contributions at the Federal Level**

While the Pharmaceutical industry spends far more on its armies of lobbyists than on political contributions, at the federal level the amounts are still significant. The sector gave \$340.1 million in the 1990 to 2016 period.<sup>28</sup> The industry spent \$189.3 million on contributions to members of Congress and Congressional candidates with \$103.7 million going to members of

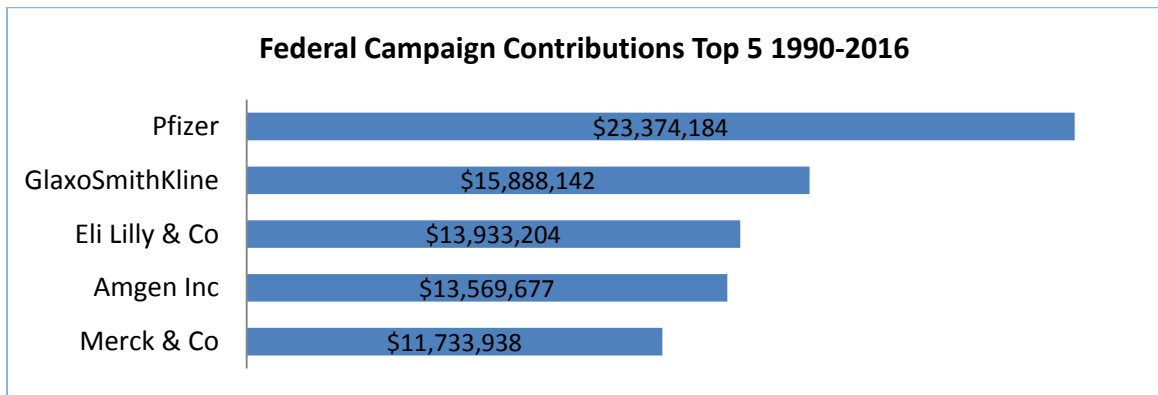
<sup>26</sup> Ibid

<sup>27</sup> Ibid

<sup>28</sup> Center for Responsive Politics, Opensecrets.org, Pharmaceuticals / Health Products: Long-Term Contribution Trends, <http://www.opensecrets.org/industries/totals.php?cycle=2016&ind=H04>, Note: Data for the current election cycle were released by the Federal Election Commission on Sept 21, 2016, accessed 10/3/2016



the House of Representatives and \$53.8 million going to Senators.<sup>29</sup> Pfizer was the top spender on political contributions, with \$23.4 million in spending in the years 1990-2016.<sup>30</sup>



Source: <http://www.opensecrets.org>

### **Lobbying - California**

The Pharmaceutical industry also spends significant sums on lobbying in the State of California. Between 2000 and 2016, the industry spent \$75 million on lobbying in the state.<sup>31</sup> Pfizer was the top spender on lobbying with \$7 million in spending.<sup>32</sup> PhRMA and the twenty-three pharmaceutical companies that have donated more than \$1 million each to the campaign opposing the California Drug Price Relief Act, to date, have spent a combined \$55.2 million on lobbying in California since 2000.<sup>33</sup>

At the state level, the Pharmaceutical industry's stranglehold over policy was most recently in evidence this year when legislators in Sacramento rejected two very modest transparency bills: one that would have required additional reporting on drug costs and pricing by pharmaceutical companies and the other by health plans.<sup>34</sup> The industry had a Sacramento based army of

<sup>29</sup> Center for Responsive Politics, Opensecrets.org, Pharmaceuticals / Health Products, Money to Congress <http://www.opensecrets.org/industries/summary.php?ind=H04&recipdetail=A&sortorder=U&cycle=All>, Note: Data for the current election cycle were released by the Federal Election Commission on Sept 21, 2016, accessed 10/3/16

<sup>30</sup> Center for Responsive Politics, Opensecrets.org, Organizational Profiles, Pfizer, Inc <https://www.opensecrets.org/orgs/summary.php?id=D000000138&cycle=A>, GlaxoSmithKline, <https://www.opensecrets.org/orgs/summary.php?id=D000000133&cycle=A>, Eli Lilly <https://www.opensecrets.org/orgs/summary.php?id=D000000166&cycle=A>, Amgen <https://www.opensecrets.org/orgs/summary.php?id=D000000391&cycle=A>, Merck <https://www.opensecrets.org/orgs/summary.php?id=D000000275&cycle=A>,

Note: Campaign finance totals for the current election cycle were released by the FEC on June 27, 2016 and by the IRS on May 02, 2016, outside spending data was released by the FEC on September 27, 2016, accessed 10/3/16

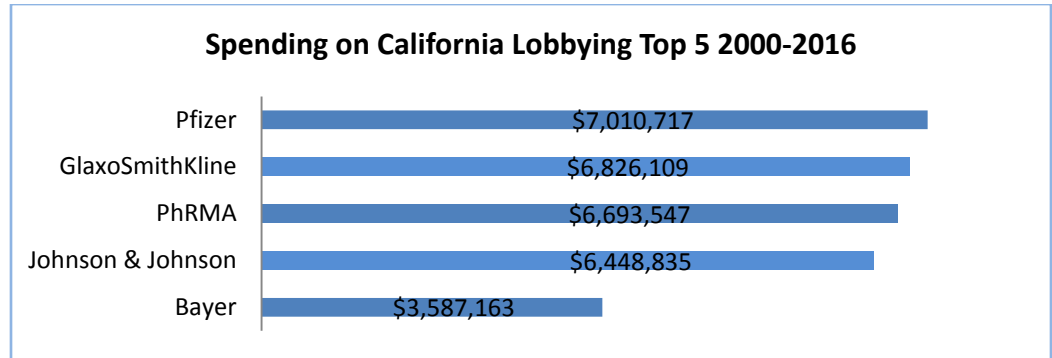
<sup>31</sup> National Institute on Money in State Politics, followthemoney.org, Lobbying Expenditure Data for California, Pharmaceutical and Health Products, accessed 9/27/16

<sup>32</sup> Ibid

<sup>33</sup> California Secretary of State, Lobbying Activity, Employers of Lobbyists, <http://cal-access.sos.ca.gov/Lobbying/Employers/>, Records accessed and compiled 8/11/16

<sup>34</sup> As a drug pricing transparency bill stumbles in Sacramento, the battle turns to November's ballot, Los Angeles Times, 8/18/16, <http://www.latimes.com/politics/la-pol-sac-drug-pricing-bill-initiative-20160818-snap-story.html>, accessed 9/28/16

lobbyists on standby ready to deploy. In 2015, California Pharmaceutical companies employed 243 lobbyists, or just over two lobbyists for every member of the California State Assembly and Senate.<sup>35</sup>



Source: <http://www.followthemoney.org>

### **California's Revolving Door**

California has its own version of the revolving door. On December 1st, 2015 Assemblyman Henry Perea announced he was stepping down early to become the senior director of state advocacy for PhRMA.<sup>36</sup> Perea was one of the top beneficiaries of Pharma money in 2013 and 2014 with nearly \$50,000 in contributions.<sup>37</sup> Perea's early resignation to cash in, forcing a special election, was projected to cost Fresno County at least \$530,000 or more.<sup>38</sup>

### **Campaign Contributions - California**

Between 1998 and 2016 the Pharmaceutical industry spent \$17.1 million on contributions directly to political candidates for state office in California.<sup>39</sup> Ely Lily & Co was the top spender on political contributions to candidates spending \$1.6 million between 1998 and 2016.

---

<http://www.latimes.com/politics/la-pol-sac-drug-pricing-bill-initiative-20160818-snap-story.html>

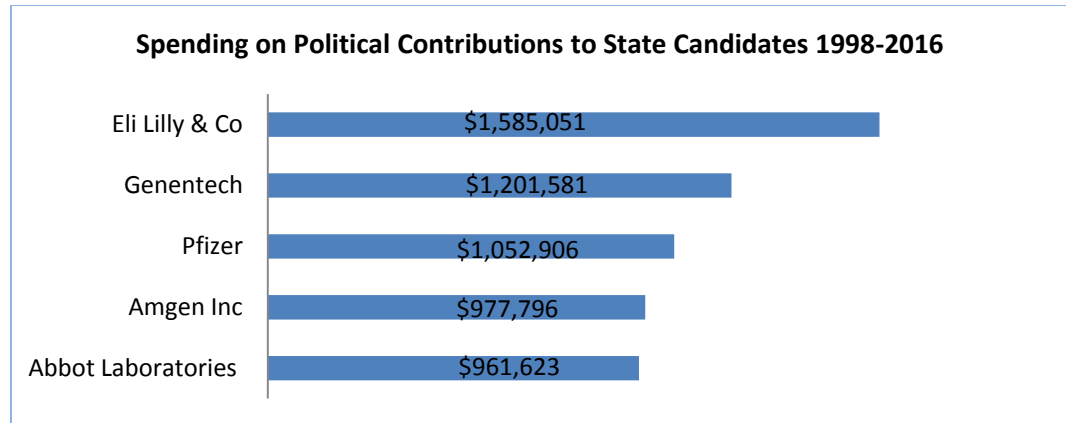
<sup>35</sup> National Institute on Money in State Politics, followthemoney.org, Lobbyist Link, <http://www.followthemoney.org/lobbyist-link>, accessed 9/27/16

<sup>36</sup> Influential Assemblyman Quitting to Join Pharmaceutical Lobbyists, Allgov.com 12/25/2015 <http://www.allgov.com/usa/ca/news/appointments-and-resignations/influential-assemblyman-quitting-to-join-pharmaceutical-lobbyists-151225?news=858049>, accessed 10/3/16

<sup>37</sup> Assemblyman Henry Perea will resign seat to become Capitol advocate, Sacramento Bee, December 1, 2015 <http://www.sacbee.com/news/politics-government/capitol-alert/article47362945.html>, accessed 10/3/16

<sup>38</sup> When legislator resigns, costs can be high to voters, party SF Chronicle, 12/20/2015 <http://www.sfchronicle.com/news/article/When-legislator-resigns-costs-can-be-high-to-6711739.php>, accessed 10/3/16

<sup>39</sup> National Institute on Money in State Politics, followthemoney.org, Political Contribution Data for California, Pharmaceutical and Health Products, accessed 9/27/16



Source: <http://www.followthemoney.org>

### **Conclusion**

The Pharmaceutical industry's profitable stranglehold on Washington D.C., and in many state capitals, has created gridlock conditions that make legislative reform nearly impossible. While high-profile congressional hearings may be called to excoriate industry executives responsible for the latest outrage that comes to light, at the end of the day, very little is accomplished.

Proposition 61, the California Drug Price Relief Act, offers Californians a way to directly stand up to the Pharmaceutical industry and say 'enough is enough'. Offered by health and consumer advocates through the ballot initiative process as a way to circumvent the Pharmaceutical industry's political stranglehold, Proposition 61 proposes that state agencies shall not pay more for prescription drugs than the prices paid by the Veterans Health Administration. In a 2005 study, the Congressional Budget Office calculated that unlike Medicare, the federal programs that negotiate prices—including the VA—paid, on average, half as much for brand-name drugs as retail pharmacies.<sup>40</sup>

The Pharmaceutical industry is very worried about the prospect of Proposition 61 passing. So worried they are spending \$100 million or more to defeat it. A December 2015 commentary in Pharmaceutical Executive magazine pointed out that the substantial, mandatory discount established by the proposition would: "...cause an immediate demand for the same VA discount rate to be made available to other states, the federal government, and likely private entities...adoption of VA pricing by the State of California would be a pricing disaster for the entire U.S. drug industry."<sup>41</sup>

A 'pricing disaster' for Pharmaceutical companies would equal sweet relief from price gouging for the millions of Americans who are struggling to pay for prescription drugs, that in some cases they literally cannot live without.

<sup>40</sup> Comparing the Costs of the Veterans' Health Care System With Private-Sector Costs  
CBO, DECEMBER 2014 [https://www.cbo.gov/sites/default/files/113th-congress-2013-2014/reports/49763-VA\\_Healthcare\\_Costs.pdf](https://www.cbo.gov/sites/default/files/113th-congress-2013-2014/reports/49763-VA_Healthcare_Costs.pdf), accessed 10/3/16

<sup>41</sup> Pharmaceutical Executive, California: "Ground Zero" for American Rx Price Controls, December 16, 2015, <http://www.pharmexec.com/california-ground-zero-american-rx-price-controls>, accessed 9/27/16