

# The Drug Company Habit:

## *A Study of Pharmaceutical Industry Campaign Contributions and Policy Influence*



***RX Warning: May cause nausea and vomiting if taken with pharmaceutical PAC money***

***New Jersey Citizen Action and  
The Citizen Policy & Education Fund of NJ***

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## Introduction

The pharmaceutical industry is the most profitable industry in New Jersey, the nation and throughout the world. The HealthCare Institute of New Jersey calls New Jersey "the epicenter of the pharmaceutical industry." Member companies of the HealthCare Institute of NJ sold nearly \$146 billion in pharmaceuticals in 2000, or 41% of worldwide pharmaceutical sales. These same companies experienced a 14% increase in pharmaceutical sales between 2000 and 1999, while the industry as a whole experienced a 10% increase for the same period. In 2001, a year in which employment rates and the stock market plunged, the pharmaceutical industry was the most profitable sector, according to Fortune 500. In the same year, the top 10 biggest U.S. drug companies saw their gross profits increase 33%, despite the economic slowdown (Fortune magazine, "Fortune 500," April 2002). Since 1997, the industry has spent nearly \$478 million lobbying the federal government. In that same period, the top 25 pharmaceutical companies and trade groups gave \$48.6 million to federal campaigns. Well over \$100 million more went to paying for issue ads, hiring academics, funding nonprofits and other activities to promote the industry's agenda in Washington. All told, the drug industry has spent nearly \$650 million on political influence in the last six years. This report is a first step in examining the habitual relationship between state politics and the drug industry in

New Jersey. It details campaign contributions to New Jersey elected officials, candidates and party organizations, during the last two legislative cycles (1999-2003). It clearly shows that our elected officials are addicted to large campaign cash from drug companies, while New Jerseyans struggle to pay for prescription drugs.

As working families and seniors face unprecedented difficult financial times, consumer voices must be heard in Trenton's prescription drug debate. Elected officials must break the habit – that is the drug money habit – by refusing to take drug money so they can make independent decisions about fair prescription drug reform policies that can save the State government and individual residents millions of dollars.

New Jersey Citizen Action (NJCA) is the state's largest citizen watchdog coalition, representing 60,000 families and more than 110 labor, tenant, religious, senior and community organizations. NJCA works closely with the Citizen Policy and Education Fund of New Jersey (CPEF), a 501c3 organization that uses education, research and training to promote social and economic justice. **Pharmaceutical Industry Campaign Spending in New Jersey**

NJCA and CPEF collected, tabulated and analyzed data from 1999 to 2003 on election campaign contributions reported to the Election Law Enforcement Commission by the pharmaceutical industry and recipients.

Highlights of our findings include:

- **Drug companies gave \$1,909,180** to elected officials, candidates and political party organizations during the four-year period
- **Two-thirds of this money went to Republicans**, compared to the one-third Democrats received
- **The NJ Republican State Committee was the single largest recipient of drug money**, getting a whopping \$348,300 since 1999.
- Republican leaders Assembly Minority Leader Paul **DiGaetano** and Senate Co-President John O. **Bennett were the top two individual recipients**. Bennett received a total of \$132,350, making him the single largest individual recipient of drug money and one of the top five recipients (individuals and party organizations) over all.
- **Schering-Plough** was the single largest donor, contributing \$442,000
- The **playing field is starting to level out**, as contributions to the Democrats increased significantly during the time period, while contributions to the Republicans remained constant.
- **In 2003, the Democrat and Republican State Parties have received almost equal amounts** from the industry, with the Democrats receiving \$2500 more than their counterparts.

- Senators Robert **Littell** and John O. **Bennett** are the top two individual recipients of 2003 drug money to date.

**Table One**  
**Campaign Contributions by Year, Per Political Party, with Overall Amount of Contributions**

	1999	2000	2001	2002	2003	Grand Totals
Democrats	\$28,600	\$33,900	\$248,150	\$113,375	\$191,450	\$615,475
Republicans	\$180,575	\$109,700	\$588,730	\$235,950	\$178,750	\$1,293,705
Total	\$209,175	\$143,600	\$836,880	\$349,325	\$370,200	\$1,909,180

In the earlier years examined, there is a large gap between contributions to political parties (Republicans \$7 to Democrats \$1). During 2001, contributions increased to both parties, but a gap remained, with Republicans receiving \$2 for every \$1 to the Democrats. In 2003, contributions have almost equaled among parties. The chart shows that during the 2001 election year, contributions to both parties rose higher than average for both political parties.

**Table Two**  
**Top 10 Recipients of Drug Company Contributions**  
**1999 – 2003**

Top Recipients of Drug Money	Total Amount
NJ REPUBLICAN STATE COMMITTEE	\$348,300
REPUBLICAN NATIONAL STATE ELECTIONS COMMITTEE	\$315,000
NJ DEMOCRATIC STATE COMMITTEE	\$262,600
ASSEMBLY REPUBLICAN MAJORITY	\$155,850
SENATE REPUBLICAN MAJORITY (2001-2003)	\$112,250
SENATE PRESIDENTS COMMITTEE (1999-2000)	\$77,050
SENATE DEMOCRATIC MAJORITY 2001	\$68,500
DORIA DEMOCRATIC LEADERSHIP FUND	\$51,350
NEW DEMOCRATIC ASSEMBLY LEADERSHIP PAC	\$50,425
ASSEMBLYMAN PAUL DIGAETANO (R-36)	\$28,800
SENATOR JOHN O. BENNETT (R-12)	\$20,100

- to see **all 1999–2003 Recipients** of Drug Company Contributions in [Alphabetical Order – click here](#) (will take you to this report's data page)
- to see **all 1999–2003 Recipients** of Drug Company Contributions in [Amount Order – click here](#) (will take you to this report's data page)

In addition to his individual candidate committee, Republican Senate Co-President John O. Bennett also controls the Senate Republican Majority Leadership PAC. Thus, he and his committees received a total of \$132,350 in the time period under study, making him the single largest individual recipient of drug money and one of the top five recipients (individuals and party organizations) over all.

### Table Three Top Recipients of Campaign Contributions for 2003

Recipient	Total Amount
NJ DEMOCRATIC STATE COMMITTEE	\$62,500
NJ REPUBLICAN STATE COMMITTEE	\$60,000
SENATE REPUBLICAN MAJORITY	\$23,750
NEW DEMOCRATIC ASSEMBLY LEADERSHIP PAC	\$20,300
SENATE DEMOCRATIC MAJORITY	\$15,750
ASSEMBLY REPUBLICAN MAJORITY	\$12,500
SENATOR ROBERT E. LITTELL (R-24)	\$10,900
SENATE CO-PRES. JOHN BENNETT (R-12)	\$10,500
SENATOR JOSEPH VITALE (D-19)	\$9,500
ASSEMBLYMAN JOSEPH ROBERTS (D-5)	\$9,000

- to see the **complete list of Recipients of [Drug Company Contributions for 2003 – click here](#)** (will take you to this report's data page)

### Table Four Top Contributing Pharmaceutical Companies by Company and Total Amount Contributed

Contributing Company	Total Amount Contributed
SCHERING PLOUGH CORPORATION	\$442,000

PFIZER PAC NJ	\$347,300
MERCK & CO INC.	\$236,800
JOHNSON & JOHNSON SERVICES INC.	\$200,875
PHARMACIA & UPJOHN CO.	\$159,150
BRISTOL MYERS SQUIBB CO.	\$155,750
AVENTIS PHARMACEUTICALS CORP.	\$154,425
NOVARTIS FINANCE CORP.	\$144,830
ELI LILLY CORP.	\$16,750
HOFFMAN LAROCHE INC.	\$12,300
WYETH	\$10,550
BAYER PHARMACEUTICAL DIVISION	\$10,500

- to see the **full list of [Drug Companies' Campaign Contributions – click here](#)** (will take you to this report's data page)

## Drug Money Influence on the Policy Debate

Consumers in New Jersey are facing higher prescription drug bills every year. The prices of the 50 most-prescribed drugs to senior citizens rose, on average, nearly 3.5 times the rate of inflation last year (Families USA, "Out of Bounds," July 2003). For senior citizens, people with disabilities, chronically ill and low-income families who lack the coverage, the increase of prescription drug costs often means choosing between medications and other necessities.

Throughout 2003, 12 different states have authorized the use of preferred drug lists and supplemental rebates to lower prescription drug prices paid by state Medicaid programs. Preferred drug lists were authorized through regulation in four states (ME, MD, SC, VA); through state budgets in three states (CT, GA, MA); and through individual bills in five states (AL, TN, TX, UT, WA). Twenty-two states implemented preferred drug lists to contain costs prior to 2003, bringing to 34 the number of states currently using such costs containment measures.

New Jersey faces the same high costs as well as the political decisions that are necessary to reduce them. The expensive prescription drugs are not just a problem for seniors, but also for working families whose employers do not provide coverage and they are unable to pay for coverage. According to Kaiser Family Foundation, 46% of New Jersey's uninsured under the age of 65 are working. The number of uninsured in New Jersey is nearing two million people and not surprisingly, those without coverage are more likely not to fill their prescription than those with coverage.

NJCA is working to enact policies that will create affordable prescription drug coverage for

all New Jerseyans. Such states as Maine, Michigan and Florida have taken the lead in passing legislation to lower state prescription drug expenditures by allowing the State government to negotiate rebates for State prescription drug programs and/or establish prior authorization requirements. Across the country, the drug industry has invested lobbying efforts to stop states from creating programs that reduce drug costs. The industry has used its powerful influence to stop such efforts in the Garden State, especially in the last year.

In the 2004 Budget, Governor McGreevey proposed the implementation of a Preferred Drug List (PDL) to contain costs in prescription drug programs administered by the State. A preferred drug list is a listing of state-approved medicines that can be prescribed for Medicaid patients without prior authorization. Like a health insurance company's formulary, a preferred drug list gives a state the leverage to negotiate with drug manufacturers for substantially lower prices. The proposal did not survive the budget process, despite the fact that such a program is an effective cost saving measure that would help to shore up funding for programs that are threatened to be cut as a result of a \$5 billion deficit in our State budget.

Working with representatives of AFL-CIO, Communications Workers of America District 1 and Local 1032, NJ PIRG, AARP-NJ and NJ Appleseed Public Interest Law Center, NJCA recently introduced legislation allow the State of NJ to negotiate lower prescription drug costs for prescriptions purchased through state programs (Pharmaceutical Assistance for the Aged and Disabled, Senior Gold, FamilyCare and Medicaid.) Senators Sweeney and Singer, along with Assemblypersons Van Drew, Burzichelli and Fisher are the sponsors of these multiple pieces of legislation to create the **NJ Rx Drug Discount program**. These negotiated prices would not just save money for state programs but would also be available to the uninsured up to 300% of the federal poverty level. Eligible participants would receive a discount card that can be used in any pharmacy across New Jersey. The bills were introduced in February 2003 and were heard in the Assembly Health Committee in June 2003 for discussion only. A vote on the bills did not take place. Pharmaceutical industry opposition has been strong right from the beginning and is expected to increase as the bill begins to move through the Legislature.

A570/S2598, a bill to enact a new law to regulate and license pharmacists, was introduced in the Assembly in January 2002. It passed the Assembly Committee in June 2002 and was not heard on the Assembly floor until March 2003, when the bill picked up speed in both houses. As the table below shows, the pharmaceutical industry made substantial contributions to leaders of both parties during the debate on the bill.

3/28/03	\$25,000	Democratic State Committee	Bristol Myers Squibb
4/25/03	\$25,000	Republican State Committee	Pfizer
4/30/03	\$10,000	Democratic State Committee	Aventis
5/28/03	\$10,000	Senate Republican Majority	Schering Plough
5/31/03	\$10,000	Senate Democratic Majority	Schering Plough

On May 15, 2003, the Assembly added the following amendment to the bill on the floor,

The amendments also stipulate that any person located outside the United States shall be prohibited from shipping, mailing, distributing or delivering in any manner to any person in this State legend drugs or devices approved by the federal Food and Drug Administration and available in the United States pursuant to a prescription.

Many senior citizens and people with disabilities rely on purchasing prescriptions from other countries, as the purchase price is often half of what consumers pay in the United States. In response to this amendment, outraged seniors called their State Assembly Representatives and succeeded in getting the amendment language removed by May 22, 2003.

Immediately the focus shifted to the Senate. In June 2003, S. 2598 began to move in the Senate, and the same amendment was passed in the upper house. Once again, consumer and senior advocates were able to get the amendment language removed.

In this case, consumers were successful in defeating an effort by the drug companies to limit consumer access to affordable prescriptions. However, the PDL and the Prescription Drug Pricing Program remain out of reach for patients who need them because of the pharmaceutical industries' enormous influence over our elected officials. The only way seniors and working families will be able to obtain lower prescription drug pricing is if the Legislature gives up its addiction to drug money.

## Conclusion

The drug industry, like most large industries, has tremendous access to elected officials through its ability to contribute to campaign coffers. State Assembly Members and Senators, as well as their political party organizations, have a \$1.9 million drug money habit that they rely on to help get them elected and keep them in Trenton. NJCA, CPEF and 50 other organizations are working to stop the influence of private money in state politics by establishing Fair and Clean Elections (FACE), a voluntary and Constitutional system of full public financing for state elections.

As in Maine and Arizona, candidates for New Jersey legislative office could obtain competitive public financing if they forego all but a few, small private contributions. This change would go a long way to restoring trust in New Jersey's state capitol and provide legislators with the ability to "Just Say No" to drug money. They would then be free to enact real changes in the way New Jerseyans purchase and pay for their medications.

## Data Related to this Report

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