RELEASE IN PART
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From: sbwhoeop[redacted] B6
Sent: Saturday, February 13, 2010 10:19 AM
To: H
Subject: H: FYI, you might want to read this one. Sid

H: FYI. This story headlined the Huffington Post, has more hits and comments than any other piece, and is the number one story on blogs across the web right now. Paul is a researcher at the Sunlight Foundation. Politico, Wash Post and NYT have belatedly followed up on Paul's story but lack a lot of his reporting. Sid

http://www.huffingtonpost.com/paul-blumenthal/the-legacy-of-billy-tauzi_b_460358.htmlou r request

Paul Blumenthal

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Posted: February 12, 2010 01:28 PM
BIO

The Legacy of Billy Tauzin: The White House-PhRMA Deal

For more research like this, visit the Sunlight Foundation's blog.

More than a million spectators gathered before the Capitol on a frosty January afternoon to witness the inauguration of Barack Obama, who promised in his campaign to change Washington's mercenary culture of lobbyists, special interest influence and backroom deals. But within a few months of being sworn in, the President and his top aides were sitting down with leaders from the pharmaceutical industry to hash out a deal that they thought would make health care reform possible.

Over the following months, pharmaceutical industry lobbyists and executives met with top White House aides dozens of times to hammer out a deal that would secure industry support for the administration's health care reform agenda in exchange for the White House abandoning key elements of the president's promises to reform the pharmaceutical industry. They flooded Congress with campaign contributions, and hired dozens of former Capitol Hill insiders to push their case. How they did it--pieced together from news accounts, disclosure forms including lobbying reports and Federal Election Commission records, White House visitor logs and the schedule Sen. Max Baucus releases voluntarily--is a testament to how ingrained the grip of special interests remains in Washington.

In the 2008 campaign, Obama declared his intention to include all stakeholders as he sought to reform the nation's health care system, but also supported key Democratic health reform policies. Among these were several that targeted the pharmaceutical industry: Allowing re-importation of drugs from first world countries with lower drug prices and providing Medicare with negotiating authority over prescription drug prices in the recently enacted Part D program. These weren't just promises, Obama had already voted for both of them as a senator in 2007. (Roll Call Vote 132 and Roll Call Vote 150.)

Set to carry out this agenda were two Capitol Hill veterans, schooled in the monied Washington culture, chief of staff Rahm Emanuel and deputy chief of staff Jim Messina. Emanuel was a former fundraiser, Clinton administration official, investment banker and member of the Democratic leadership in Congress. Messina was the former campaign manager and chief of staff to the powerful Senate Finance Committee chairman Max Baucus. Both were known for their unparalleled legislative abilities.

Because of Obama's decision to develop a plan operating through the legislative process, members of Congress also played key roles. Early on, the pharmaceutical companies were told to deal directly with Senate Finance Committee chairman Max Baucus. Baucus would be the vehicle for the deal worked out behind the scenes by the White House and PhRMA.

Central to this effort was PhRMA president, CEO and top lobbyist Billy Tauzin, a longtime Democratic member of Congress who switched party affiliations after Republicans gained control of Congress in 1994. By switching parties Tauzin was able to maintain his influence and even rose to be Chairman of the House Committee on Energy & Commerce. Tauzin became the poster child of Washington's mercenary culture. He crafted a bill to provide prescription drug access to Medicare recipients, one that provided major concessions to the pharmaceutical industry. Medicare would not be able to negotiate for lower prescription drug costs and reimportation of drugs from first world countries would not be allowed. A few months after the bill passed, Tauzin announced that he was retiring from Congress and would be taking a job helming PhRMA for a salary of $2 million.

Tauzin's job change became fodder for a campaign ad that then presidential candidate Barack Obama ran in the spring of 2008 simply titled "Billy." It featured the candidate, sleeves rolled up, talking to a salon of gasping Americans about the ways of Washington. "The pharmaceutical industry wrote into the prescription drug plan that Medicare could not negotiate with drug companies. And you know what, the chairman of the committee, who pushed the law through, went to work for the pharmaceutical industry making $2 million a year." The screen fades to black to inform the viewer that, "Barack Obama is the only candidate who refuses Washington lobbyist money," while the candidate continues his lecture, "Imagine that. That's an example of the same old game playing in Washington. You know, I don't want to learn how to play the game better, I want to put an end to the game playing."

Aiding PhRMA in their outreach to Congress would be a squadron of lobbyists to push their health care reform priorities. Over the course of 2009, the drug industry trade group spent over $28 million on in house and hired lobbyists. Aside from PhRMA's massive in-house lobbying operation, the trade group hired 48 outside lobbying firms. The total number of lobbyists working for PhRMA in 2009 reached 165. Some 137 of those 165 lobbyists representing PhRMA were former employees of either the legislative or executive branches. Of these dozens were former congressional staffers including two former chiefs of staff to Max Baucus.

According to data compiled by the Center for Responsive Politics, drug makers contributed huge sums to congressional campaign committees during the same period--from January to the end of October (4th quarter numbers are still being totaled), industry political action committees, employees and their family members flooded lawmakers with over $8 million. Those contributions tilted heavily to Democrats over Republicans by a 57 to 42 percent margin--the first time in any election cycle going back to 1990, the first year that the Center for Responsive Politics began tracking industry giving, that Democrats were so favored. Given their majorities on Capitol Hill, and the new President's intention to reform America's health care system, the new tilt was perhaps not surprising.

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On March 5, the White House held a meeting with major health care industry leaders to try to bring them to the table and see what could be done to gain their support. In attendance were Billy Tauzin, president, CEO and top lobbyist for PhRMA, Pfizer CEO Jeff Kindler, America's Health Care Plans (AHIP) Chairman Karen Ignani, Tom Donohue of the Chamber of Commerce and Robert Wood Johnson Foundations' Risa Lavizzomourey. A day before the White House meeting Tauzin appeared on CNBC touting health care reform and promising to work closely with the Obama administration. In the interview he touted it as an "optimistic plan", acknowledging that the industry did have a few problems but was glad to have a chance to discuss these. Some were caught dumb-founded by this apparent change of heart on behalf of an industry long adverse to health care reforms.

On April 15, Jim Messina and Jon Selib, chief of staff to Senate Finance Committee chairman Max Baucus, convened a meeting at the headquarters of the Democratic Senatorial Campaign Committee (DSCC) with leaders of organized labor and health care groups, including PhRMA. At the meeting, the groups decided to form two nonprofit entities to promote reform efforts, Healthy Economy Now and Americans for Stable Quality Care, that would be almost entirely funded by PhRMA. The two groups spent $24 million on their advertising campaigns; the contract to produce and place ads went to White House Senior Advisor David Axelrod's former firm, AKPD, which owed Axelrod $2 million.

In the next month, CEO's from pharmaceutical companies would meet with Baucus and administration officials at least four times. These talks preceded a major public event at the White House, one critical to its strategy to promote health care reform. On May 11, PhRMA and other trade industry groups pledged cost cutting measures to the White House that would save, they claimed, upwards of $2 trillion over the next decade. President Obama announced the deal in the State Dining Room, flanked by leaders of the various trade groups; the administration followed up with a media blitz in the press and on the White House Web site.

The next day, Healthy Economy Now's PhRMA funded ad campaign ran their first advertisement in support of the health care reform process calling for the government to finally "fix" the nation's health care cost problems. While many elements of the $2 trillion cost cutting pledge fell apart, the drug industry remained committed to the process in the hopes that they could ultimately win out and defeat the provisions they most feared in closed-door meetings with the White House.

The first occurred on June 2. White House visitor logs show PhRMA's top executives, including Tauzin, and industry CEOs met with Sarah Fenn from the White House Office of Health Care Reform. On the same day, the publicly available schedule of Senator Max Baucus shows Tauzin and the same industry CEOs met the Senate Finance Committee chairman. What ultimately resulted from these coordinated meetings would be revealed by Baucus on June 20.

In a press release featuring a statement by Tauzin, Baucus revealed that the pharmaceutical industry had accepted $80 billion in cost cutting measures to be included in the Senate Finance Committee version of the bill. According to news reports, Baucus initially proposed $100 billion in cost cutting measures, but the executives and lobbyists meeting on June 2 were able to win the lower figure.

The terms of the initial cost-cutting deal included $30 billion go directly towards closing the "donut hole" in Medicare prescription drug coverage. The "donut hole" is a term for the gap in coverage that occurs within the Medicare prescription drug coverage. For those purchasing prescription drugs through the Medicare program coverage cuts off at $2,700 spent and does not pick back up again until $6,154 is spent by the participant. The amount proposed in the deal, 50 percent coverage for drugs within the coverage gap, however, would not completely close the "donut hole."

In Baucus' press release, Tauzin is quoted as saying, "This is a once-in-a-lifetime opportunity and, working together, we can make this hope for a better tomorrow a reality today." This "once-in-a-lifetime" opportunity also extended to the pharmaceutical industry's ability to blunt the long-term Democratic agenda of lowering prescription drug prices through Medicare negotiations, re-importation and quicker release of generics onto the market. After making such a grand statement of support through cost cutting proposals it was time for the pharmaceutical industry to finally force the White House and Democrats to take certain chips off the table.

Baucus proceeded with a plan to convene a bipartisan group in an effort to craft the bill desired by the White House. These participants included Democrats Kent Conrad and Jeff Bingaman and Republicans Chuck Grassley, Mike Enzi and Olympia Snowe. Baucus' decision and the need to solidify deals with groups like the pharmaceutical industry - which were reliant on Baucus producing a bill - slowed down the legislative process making it impossible for Congress to meet the White House's announced August recess deadline for passing health care reform.

Soon after, PhRMA's big guns and industry lobbyists paid the White House another visit on July 7 and this time met with Rahm Emanuel and Jim Messina (Baucus' chief of staff Jon Selib is also listed in White House visitor logs for this meeting). In August, The Huffington Post's Ryan Grim reported on an internal memo that was drafted at that meeting that outlined the policies that would not be allowed into any final version of health care reform. These included Medicare prescription drug negotiations, drug re-importation, and the lowering of prices for drugs available through Medicare Part D and Part B. The deal would be $80 billion in cost cutting and absolutely no more.

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While the $80 billion deal was cut with Baucus' committee, other congressional committees continued to mark-up their own versions of health care reform without the knowledge that the White House was relying on Baucus to produce the final product. In the House of Representatives, the House Energy & Commerce Committee leveled a direct threat to the $80 billion deal. Energy & Commerce Chair Henry Waxman sought to include all of the provisions that PhRMA had gotten the White House and Baucus to cut out of the reform bill. These included drug reimportation, Medicare negotiating power and speedier release of generics to the market. According to previous analysis of the measures proposed by the committee, these measures would have totaled hundreds of billions in cost cuts, far exceeding the $80 billion cap agreed to by the White House, Baucus and PhRMA.

The cost cutting measures passed in the Energy & Commerce bill spooked the board of PhRMA, which included all of the CEOs involved in the deal-cutting meetings with the White House and Baucus. The board pressured Tauzin to go public with the deal to ensure that the White House would recognize it and not renege. On August 4, the Los Angeles Times, in an exclusive report, featured quotes from Tauzin claiming that a deal between the White House and PhRMA existed and that, as Tauzin put it, "The White House blessed it." Tom Hamburger wrote in the article, "For his part, Tauzin said he had not only received the White House pledge to forswear Medicare drug price bargaining, but also a separate promise not to pursue another proposal Obama supported during the campaign: importing cheaper drugs from Canada or Europe."

The White House's Jim Messina later confirmed Tauzin's claim, stating, "The president encouraged this approach ... He wanted to bring all the parties to the table to discuss health insurance reform."

Democratic lawmakers were furious. Rep. Raul Grijalva, chairman of the Progressive Caucus, asked, "Are industry groups going to be the ones at the table who get the first big piece of the pie and we just fight over the crust?"

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On September 7, Baucus' bill made a private circulation on the Hill; pharmaceutical industry cost-cutting did not exceed $80 billion. Five days later, the New York Times reported that PhRMA planned to spend up to $150 million in an advertising blitz in support of Baucus' bill. The Times noted that the ad spending "...would be a follow-up to the deal that drug makers struck in June with Mr. Baucus and the White House." On September 16, Baucus released the full text of his legislation to the public.

The White House, PhRMA and Baucus still had to fight a few battles to keep the deal intact. The key amendment targeting the PhRMA deal in committee mark-up came from Sen. Bill Nelson from Florida, which has one of the largest Medicare participant populations in the nation. The pull of constituent needs clearly put Bill Nelson into a position to push for further cost cutting in Medicare prescription drug pricing. His target: closing the "donut hole" completely.

Nelson claimed that his amendment would generate $106 billion in revenue, or from PhRMA's perspective increase their cost-cutting to $186 billion. That would be unacceptable to PhRMA, to Baucus, to the White House and to the pharmaceutical industry who had made the deal. Other Senate Democrats, Tom Carper and Robert Menendez voted with Republicans and Baucus on the committee to defeat the amendment. It is little surprise the Carper's Delaware is home to

AstraZeneca and Menendez' New Jersey is home to Merck and Bristol-Myers-Squibb, all of which lobbied for the $80 billion cap.

Senate Majority Leader Harry Reid introduced the final bill, with the cap in place, on November 19. Debate began on Dec. 3, and with it come one more attempt by members to change the terms of the deal. Senator Byron Dorgan introduced an amendment that would allow for drug re-importation, but as the date for voting drew near, the Federal Drug Administration (FDA) released a letter objecting to the proposal that echoed pharmaceutical industry talking points: "...as currently written, the resulting structure would be logistically challenging to implement and resource intensive. In addition, there are significant safety concerns." Dorgan's amendment was defeated with numerous Democrats previously in support of reimportation switching to "no" votes.

On Christmas Eve, the bill passed the Senate with the PhRMA deal fully intact.

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New Year's Eve passed with no further action on health care reform. Public opinion regarding the health care reform bill had been slipping throughout 2009. It reached a fulcrum in the special election to replace the deceased senator Ted Kennedy in Massachusetts on January 19, 2010. Newly minted senator Scott Brown campaigned that he would be the senator to provide Republicans with the votes to filibuster the final health care reform bill. Democrats ran for cover. Despite having the largest majorities of any party since the 1970s, Democrats put the brakes on their agenda, particularly health care reform.

In the end, the pharmaceutical industry's support for health care reform would be left up in the air . After spending $100 million in advertising in support of legislation that Tauzin and key executives hoped would be a windfall for the pharmaceutical industry, the legislative process had flat-lined. In February, the board of PhRMA, split over the deal cut by Tauzin, pushed Tauzin to resign his post.

In an interview with Diane Sawyer, President Obama owed up to failures in the process of passing health care reform, "[T]he health care debate as it unfolded legitimately raised concerns not just among my opponents, but also amongst supporters that we just don't know what's going on ... And it's an ugly process and it looks like there are a bunch of back room deals."