

60 Minutes – June 5, 2005

Insider's Rx For Drug Costs

Rost Comment: for those of you who missed the drug import segment yesterday, here's the link to the first few minutes of the video: <http://www.cbsnews.com/stories/2005/06/03/60minutes/main699606.shtml> and below is text.

The whole thing worked out GREAT. In addition to my comments they had Senator Kennedy, the US Surgeon General, and Pfizer's Vice President, Global Security on camera, and they showed one of the largest parallel import facilities in Europe. They even managed to get Pfizer's Global Security VP to admit that **NO PATIENT HAS EVER BEEN HURT** by parallel trade in Europe. He wanted to stop parallel trade to make sure it stayed that way . . .

Insider's Rx For Drug Costs

June 5, 2005

If you think you're paying a lot for prescription drugs, you're right. Drug prices have been rising faster than inflation and Americans pay more for brand-name prescription drugs than anyone else in the world.

Why? Well, the drug companies and the government say we have to, so the companies can keep developing new drugs.

But that's no consolation to the tens of millions of elderly and uninsured who can't afford to pay for the drugs they need. **Correspondent Bob Simon** talks Dr. Peter Rost, a critic of the way drugs are priced and sold in the United States, who also happens to be a vice president of marketing for the pharmaceutical giant Pfizer.

Rost has taken the risky and possibly career-shattering step of opposing his own employer, and the rest of the drug industry, by saying America can have cheaper drugs if it set up a system like the one in Europe.

Rost says that on average, drugs in Europe are about half the price of those in the United States.

"You have certain drugs that cost 10 times more in the U.S.," says Rost. "We're talking about exactly the same drug, made in the same plant, by the same manufacturer."

And Rost says these are drugs that are also made in the same plant. "It is stunning," he says. "Once people become aware of it, it is stunning. And obviously, they get upset."

One example: the commonly prescribed cholesterol-lowering drug Lipitor, made by Pfizer, the company he works for. In the United States, the full retail price is about \$76 dollars for a month's supply. The exact same drug costs \$55 dollars in Canada and just \$43 dollars in Italy.

It's the high price of drugs in the United States that has outraged Rost and led him to put his career on the line to try to help America's uninsured find a way to get cheaper drugs. He's a physician and a businessman who's worked in the drug industry for 20 years – both in America and Europe – marketing and pricing prescription drugs.

"We're the wealthiest nation on earth, yet we have between 49 and 67 million Americans without any kind of insurance for drugs," says Rost. "And they pay full price, cash, and they can't always afford drugs."

He says that's because drug pricing is not a free market in the United States, the way it is with most other industries. Brand-name drugs have patents, which means no other drug company can make the same drug until the patent runs out in 20 years.

Remember: Rost is an executive for Pfizer, but he's not speaking for the drug company.

"The industry likes to talk about the U.S. as a free market. A free market in this case simply means that the drug industry is free to set whatever price they want. And mostly patients and others simply have to pay. There isn't a choice," says Rost. "In a situation like that, you can obviously raise your prices as much as you can get away with."

Rost makes a comparison to a car company that can charge whatever it wants for a car: "What's going to happen is if they double their price on cars? Imagine what's going to happen to their sales? A new car is not a necessity, but where you're sick, to get treatment, to get well, and to survive, that is a necessity."

But why can't you just buy a generic? "For some areas, that works fine," says Rost. "For many areas, there aren't generics available."

Instead of Americans taking buses across the border to Canada to buy affordable drugs, Rost thinks the drugs should come to them. That's what happens in Europe, where a tightly regulated system of importing drugs from country to country has been in place for more than 20 years.

Here's how it works in Europe. Pharmaceutical companies sell the exact same drug to different countries at different prices. For example, most drugs cost less in Spain than they do in Denmark. So an entire industry has developed that buys up drugs in countries where they're cheaper, and sells them in countries where they're more expensive, at a discount, of course. The practice is called parallel trading.

Paranova is a parallel trading company just outside Copenhagen, owned and run by Eric Pfeiffer. Paranova is stacked with drugs coming from and going to different European countries.

Pfeiffer showed **60 Minutes** how parallel trading works to get cheaper drugs into the marketplace. An asthma inhaler is expensive in Denmark and cheaper in Spain. Pfeiffer's company bought a lot of it from Spain, and is now repackaging it to be sold in Danish pharmacies, at a discount. They don't make drugs; they're just the middlemen.

"Effectively, what we do is take it out, put the label on and then it's put back in the boxes again with a leaflet in Danish language," says Pfeiffer.

"We sort of walk a little bit into the world of the absurd when you figure out that what you're doing is spending money to make something cheaper," says Simon.

"Yes," says Pfeiffer.

The original asthma inhaler is never opened. In fact, no one at Paranova ever touches any of the drugs, only the outside packaging, and the factory is inspected regularly by the Danish health authorities.

Pfeiffer says this same arrangement could happen between Canada and the United States: "Or between Europe and the United States. And by doing it from Europe, it would even be cheaper than from Canada."

To help ensure safety in Europe, you can't buy parallel traded drugs over the Internet, only from a licensed pharmacy. Danish pharmacist Uta Porksen showed **60 Minutes** how it works for the consumer.

She displayed an asthma inhaler that's called Spirocort in Denmark. It happens to be the exact same drug as a product called Pulmicort, which was imported by Paranova. The big difference? The Spirocort costs about \$40 dollars more.

"If I come in and I've got a prescription for Spirocort, you're gonna give me the Spirocort, right, the more expensive one?" asks Simon.

"The law in Denmark is made the way that I have to ask the patient if he wants the cheaper one. And we always ask the patient," says Porksen.

"Ok, you're asking me if I want the one that's \$40 dollars less?" asks Simon.

"Yes," says Porksen.

"And I'll ask you, 'Is it the same thing? And you'll says, 'Yes.' And I'll say, 'Give me the cheaper one.'"

"Yes, and you will get the cheaper one," says Porksen.

But is parallel trading safe? It depends whom you ask.

"I would be happy to let FDA in here to see how we do it and they would have no problem whatsoever," says Pfeiffer.

"So, if the big question for Americans, as it is, is, 'Is it safe to ship drugs from country to country as long as it's properly regulated?'" says Simon.

"Yes," says Pfeiffer. "For sure."

But in America, the drug companies say they aren't so sure that importing drugs from country to country really is safe.

Pfizer, the drug company Rost works for, declined to talk to **60 Minutes** about Rost, but Pfizer's vice president of global security, John Theriault, did tell say that importing drugs is potentially dangerous.

"The position we take is that the more times a product changes hands, the more opportunity there is for the introduction of bad medicine," says Theriault.

"Some people might be skeptical of your saying it's not safe to import drugs from overseas," says Simon. "You do work for Pfizer and all the drug companies tend to lose money if drugs are cheaper."

"I'm not making a pricing argument today at all. But I don't think that patient safety should be sacrificed for affordability," says Theriault. "I think there needs to be a solution to this problem. But opening the flood gates to product from all over the world to freely enter the U.S. market, I think, is a mistake."

"Clearly this is a matter of profits. It's not necessarily a matter of safety," says Rost. "I mean, I think it would be derogatory to claim that Americans would not be able to handle re-importation when the rest of the educated world can do this."

How many cases of death or serious disease have there been due to this practice?

Rost says "there have been none known due to this practice."

So it works? "It works very well," says Rost.

Has anyone in Europe been hurt by taking a bad drug because of parallel trading?

"I don't know that anyone has," says Theriault. "But the point is that we're making the safety issue before that happens."

"My job is to ensure the safety of the American public," says Dr. Richard Carmona, surgeon general of the United States. He recently chaired a task force to study drug importation. It concluded that building a safe system to do it in the United States would be difficult, and very expensive.

"It could be done. The evidence that we have says it could. But the cost to do it, the additional regulatory authority necessary, the hiring of more people, then you have to step back and say, 'Well, is that cost gonna outweigh any savings benefit that we provide the American public,' and that's a very tough one."

"Why are drugs so much more expensive in the United States than they are in almost any other country?" asks Simon.

"The United States does a lion's share of research in the world for research and development of drugs," says Carmona. "That's why the Canadian government sells it cheaper. They don't have the overhead."

The surgeon general's task force report agrees with the pharmaceutical companies -- that if they lower their prices,

they'll spend less on creating new drugs, and research and development.

Rost doesn't buy that argument. He says drug companies won't cut back on research and development because it's their bread and butter. They have to develop new drugs or they won't have anything to sell when the patents on their existing drugs expire.

He recently testified before a Senate committee, urging Congress to pass a bill legalizing the importation of cheaper drugs from overseas, even though his own employer is against it.

"Stopping good re-importation bills has a high cost, not just in money but in American lives," says Rost, who says he still works for Pfizer.

Pfizer, however, claims that Rost lacks the credentials to say anything about importing drugs from other countries. The company sent a letter to the Senate committee saying, "We have no basis to support Dr. Rost's purported expertise in this area..." Pfizer also sent **60 Minutes** a letter saying: "Dr. Rost has ...no substantive grasp of how importation threatens the safety of the U.S. drug supply."

"It's an attempt to discredit me. And they should have known better because they know that I have a lot of experience in this area, so it's completely wrong, and they knew it," says Rost. "I mean, you have an insider here who knows how things really work, who has lived this."

When he goes to work, what kind of response does he now get from his co-workers? "The majority of the feedback has been basically treating me like a sinner, somebody who has fallen from the righteous way," says Rost, who works from home a lot now.

He's still employed by Pfizer, but he's not sure how long that will last.

A bill has been introduced in the Senate that, if passed, would allow the United States to import cheaper drugs from other countries, just as they do in Europe. The pharmaceutical industry opposes it. But the large drug companies have announced they are expanding their programs to offer low cost drugs to the poor.

June 8, 2005

At Pfizer, the Isolation Increases for a Whistle-Blower

By [ALEX BERENSON](#)

No man is an island. But Peter Rost is getting close.

Dr. Rost, a vice president for marketing at [Pfizer](#) with a history of corporate whistle-blowing, has for the last year publicly criticized the pharmaceutical industry over the price of drugs. Along the way, Dr. Rost has become increasingly isolated at Pfizer, the world's largest drug company.

First, his employees stopped reporting to him. Then his supervisors stopped returning his calls and now he does not know whom to report to. His secretary left, he said, and he was moved to an office near



Marko Georgiev for The New York Times

Dr. Peter Rost, a Pfizer vice president, says drugs are too expensive.

Pfizer's security department at a company building in Peapack, N.J. The latest blow came Monday, the morning after Dr. Rost, 46, appeared on a segment of "60 Minutes" on CBS about drug prices - a follow-up to his news conference on the subject last year with members of Congress and to the opinion pieces he has written for The [New York Times](#) and other newspapers. Ready, as always, to put in a full day at the office, Dr. Rost turned on his computer Monday and tried for the first time in almost two weeks to log into his Pfizer e-mail account.

Access denied.

Because his corporate cellphone also was suddenly not working, Dr. Rost was reduced to using his Hotmail account to send e-mail messages to reporters to report his electronic exile. "This is like being in some kind of corporate twilight zone," Dr. Rost said in an interview yesterday. "I guess everybody's waiting for me to get fired."

Paul Fitzhenry, a spokesman for Pfizer, said that the company had not deliberately disconnected Dr. Rost's e-mail and cellphone service. "There have been cases, through a change of vendor, where some employees have lost service for a period of time," Mr. Fitzhenry said.

Beyond that, Mr. Fitzhenry said that he could not comment on Dr. Rost's work at Pfizer. But he said that Pfizer had not changed Dr. Rost's responsibilities since April 2003, when Pfizer bought Pharmacia & Upjohn, where Dr. Rost formerly worked. At the time of that acquisition, Dr. Rost supervised Pharmacia's marketing of a growth hormone called genotropin. Mr. Fitzhenry characterized Dr. Rost's new office as nice, a description Dr. Rost did not dispute.

"He does still work at Pfizer," Mr. Fitzhenry said. "We continue to employ him." By yesterday afternoon, after a reporter's inquiries with the company, Dr. Rost reported that his e-mail account was working again.

"Now I'm going to check if I can actually get in and get the name of my supervisor," he wrote in an e-mail message. "That should be fun."

Dr. Rost first received public attention last August, after his positive review of a book critical of the drug industry appeared on Amazon.com. The next month, in his news conference, he called for passage of legislation to allow imports of low-priced drugs from other countries.

"Every day we delay, Americans die because they cannot afford life-saving drugs," he said.

Pfizer responded at the time by saying that "Dr. Rost has no qualifications to speak on importation."

Management specialists said that Pfizer and Dr. Rost had irreconcilable differences and called for a speedy divorce.

"In defense of Pfizer, I don't think I would want him representing me in the marketplace," said John Putzier, president of FirStep, a human resources consulting firm based in Prospect, Pa.

Dr. Rost's comments are not in Pfizer's interests, Mr. Putzier said. As a result, it may be legal for Pfizer to fire him. But a firing might make Pfizer appear vindictive or give him more publicity, Mr. Putzier said.

Dr. Rost may have additional protection against being fired. In its most recent annual report, Pfizer disclosed that the Justice Department had opened an investigation into its marketing of genotropin, the growth hormone Dr. Rost was responsible for selling at Pharmacia.

Dr. Rost said he could not confirm or deny whether he was involved in that investigation. But if he is, he may be protected by federal laws shielding whistle-blowers from retaliation.

Mr. Fitzhenry, the Pfizer spokesman, declined to comment on the investigation. Pfizer is "really between a rock and a hard place," said Mr. Putzier, the consultant. "He's a loose cannon, but he's a strategic loose cannon."

Pfizer became Dr. Rost's employer when it bought Pharmacia in 2002 for \$63 billion. Dr. Rost had worked at Wyeth, another drug maker, until 2001 - the year he sued Wyeth in New Jersey state court, contending that the company had retaliated against him after he uncovered its practice of underpaying taxes to foreign governments. Dr. Rost and Wyeth settled the suit in December 2003; terms were not disclosed.

Susan L. Annunzio, chief executive of the Hudson Highland Center for High Performance, a management consulting firm in Chicago, said Pfizer had evidently decided that firing Dr. Rost would cause more problems than it would solve.

"Companies are in a dilemma," she said, "because they don't want bad publicity, and they want to get the person to leave on his own."

Dr. Rost said that he did not enjoy being unable to work productively, but that he could not quit without another job to replace his current annual compensation of more than \$600,000. "I have a family to support. There haven't been that many job offers coming through lately."

"I'm about to reach my four-year anniversary," Dr. Rost said. "In another year, I'll be fully vested in the pension plan."