

thanks for his accomplishments. We greatly appreciate his achievements on behalf of the past, current and the future residents of our region. We wish him well in all his future professional and personal endeavors.

HONORING DUSTY RHODES

HON. JOHN JOSEPH MOAKLEY

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, October 31, 2000

Mr. MOAKLEY. Mr. Speaker, today I pay tribute to the director of Sail Boston 2000, Dusty Rhodes.

It has been estimated that between seven and eight million people visited Boston during Sail Boston 2000. It was a remarkably well planned and well-executed international tall ship event. From the pageantry of the Opening Ceremony at Rows Wharf to the spectacular Parade of Sail out Boston Harbor for the start of the race to Halifax, Boston was at her very best. Residents and tourists alike thrilled to the majesty of the ships and warmly welcomed the young crews to the historic Port of Boston. The presence of the tall ships in July was a nostalgic reminder of our city's great maritime heritage and a celebration of the rebirth of our magnificent harbor.

Boston was the only Official Race Port in the United States for the International and American Sail Training Associations' Tall Ships 2000 Race of the Century. An event of this magnitude requires precise planning and extraordinary effort, and the appropriate credit should be given to the person who was most responsible for bringing the ships to the port and organizing Sail Boston 2000, the largest event ever held in the history of New England. Her name is Dusty Rhodes.

Eight years ago, immediately following her success in producing Sail Boston 92, Dusty, as President of Conventures, Inc. flew to London to attend the Annual International Sail Training (ISTA) Race Committee Conference. Although not on any agenda, she lobbied committee members, ISTA officials, ship captains, diplomats, and governmental officials, promoting Boston as a potential Race Port for the year 2000.

Energetically and tirelessly (and pregnant), she fought for Boston. It was just the beginning of her persistent and often frustrating attempts to have Boston officially designated for the Tall Ships 2000 Race. Dusty returned each year, from 1993 to 1997 continuing her mission and, I will add, all at her own expense.

In 1996 the International Race Committee selected Boston as a result of her efforts. OPSAIL then entered the competition for the first time attempting to have New York designated as the Official Race Port in place of Boston. Race Ports were required to pay a port fee to ISTA under the Race Committee Rules. New York refused and Dusty Rhodes committed her own funds to assure Boston's involvement. These funds, like many others which accrued during the planning process of Sail Boston, were totally at risk, but Dusty's belief in the potential of this millennium tall ship event made her even more determined.

She took that risk and, when the dust settled, Boston had been selected and the OPSAIL, New York/Boston battle began.

Sail Boston was a huge success, from a maritime as well as a financial point of view for the Commonwealth of Massachusetts. Hotels, restaurants, tour boats and retail establishments all benefited substantially from the millions of people who came to Boston for the return of the Tall Ships. Thanks to Dusty Rhodes and her efforts on behalf of the City, Boston will continue its prominence as a destination point for national and international tourism. In a 1992 Boston Globe article, she was referred to as "the Unsinkable Dusty Rhodes." With all the obstacles thrown in her way, Dusty has proved to be just that, and we all can thank her for making the Summer of 2000 a most memorable one.

MISSED OPPORTUNITY ON
MEDICAL PRIVACY

HON. GARY A. CONDIT

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, October 31, 2000

Mr. CONDIT. Mr. Speaker, today I spoke regarding the unfinished business of ensuring Americans that their personal medical information will be kept confidential. Despite a consensus that an individual's health information is easily accessed and susceptible to manipulation, Congress failed to act on this crucial issue.

This is certainly not a new issue. I first introduced comprehensive medical privacy legislation at the beginning of the 104th Congress. Last year, in an effort to reach a consensus, I worked closely with Rep. HENRY WAXMAN, Rep. ED MARKEY and Rep. JOHN DINGELL to develop a bill that could gain the support of the majority of our colleagues. The product of this effort was H.R. 1941, the Health Information Privacy Act. In addition to the four primary sponsors, 66 of our colleagues joined us in sponsoring this legislation.

We were not alone in our efforts to protect these sensitive records. The Secretary of Health and Human Services, directed by provisions of the Health Insurance Portability and Accountability Act, issued proposed health privacy regulations on November 3, 1999 after Congress failed to meet its self imposed deadline. In all, these proposed regulations represent a good solid start, but failed to address several key items since the Secretary's scope was limited to health plans, clearinghouses and providers that share health information electronically.

Therefore, the proposed regulations did not cover health records that have never been maintained or shared electronically. Additionally, the Secretary's proposal does not cover all entities that come into possession of health information. Safeguards given to an individual's health record should be applied equally, whether it is in the hand of a health care provider, researcher or a lending institution.

Unfortunately, the issue of medical privacy was never given the attention it deserves in this Congress. The leadership of the next

Congress, should make this issue a priority and make a public commitment to schedule a full, fair and open floor debate within the first three months of reconvening the next session. This will be the only way we can come to an agreement on comprehensive medical privacy legislation.

TRIBUTE TO MIZELL MEMORIAL
HOSPITAL FOR RECEIPT OF THE
2000 ALABAMA QUALITY AWARD

HON. TERRY EVERETT

OF ALABAMA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, October 31, 2000

Mr. EVERETT. Mr. Speaker, I would like to pay tribute to an outstanding business in my congressional district which was recently honored with a prestigious state award for operational excellence.

Earlier this month, Mizell Memorial Hospital in Opp, Alabama was named the winner of the 2000 Alabama Quality Award for excellence in leadership; strategic planning; patients, other customers, staff and market focus; information and analysis; process management; and organizational performance.

The Alabama Quality Award, modeled after the Malcolm Baldrige National Quality Award, honors organizations whose recent innovations increased productivity and quality within the organization.

For years, Mizell Memorial has served rural South Alabama with a level of professionalism equal to and surpassing Alabama's most innovative and progressive businesses. I am pleased that its employees' fine work and dedication has finally been recognized with this prestigious award.

My congratulations go out to Mizell Memorial Hospital's management and employees for their exemplary efforts to improve the lives of south Alabamians.

TRIBUTE TO HANNAH JOANN
LANZHEN SIMONS

HON. GREG WALDEN

OF OREGON

IN THE HOUSE OF REPRESENTATIVES

Tuesday, October 31, 2000

Mr. WALDEN of Oregon. Mr. Speaker, it gives me a great deal of pride to extend this official welcome to one of our nation's newest citizens, Hannah JoAnn LanZhen Simons of Hood River, Oregon.

Hannah was born November 8, 1996 in Magongtan, Zhejiang Province in the Peoples Republic of China. Her first months were spent in the Lanxi Social Welfare Institute, an orphanage. In the summer of 1997, she was adopted at Hangzhou, Zhejiang Province, PRC by her mother, Marta Simons, and brought to the United States to live. On September 26 of this year, she became a citizen of the United States.

It's a wonderful thing that China allows for these adoptions which have lifted little babies out of orphanages and placed them into arms of loving families here in America.

Mr. Speaker, it's also important to acknowledge the continued efforts of this Congress to expand the opportunity and affordability for adoption. Together, with families like Hannah's, we're making life better for children from around the world.

ABBOTT LABORATORIES OVERCHARGES TAXPAYERS AND JEOPARDIZES PUBLIC HEALTH

HON. FORTNEY PETE STARK

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, October 31, 2000

Mr. STARK. Mr. Speaker, I am today submitting for the RECORD a letter I sent to Mr. Miles White, Chief Executive Officer of Abbott Laboratories. Recent congressional investigations have collected evidence that Abbott has reported inflated prices and has engaged in other improper business practices in order to create windfall profits for providers submitting Medicare and Medicaid claims for certain Abbott drugs.

Such drug company behavior overcharges taxpayers and jeopardizes the public health system. The letter follows:

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, DC, October 31, 2000.

Mr. MILES WHITE,
Chief Executive Officer, Abbott Laboratories,
Abbott Park, IL.

DEAR MR. WHITE: You should by now be aware of Congressional investigations revealing that Abbott has for many years reported and published inflated and misleading price data and has engaged in other deceptive business practices. This letter is a call for your company to immediately cease overcharging taxpayers and jeopardizing the public health.

The price manipulation scheme is executed through Abbott's inflated representations of average wholesale price ("AWP") and direct price ("DP") which are utilized by the Medicare and Medicaid programs in establishing drug reimbursements to providers. The difference between the inflated representations of AWP and DP versus the true price providers are paying, is regularly referred to in your industry as "the spread." The evidence amassed by Congress clearly shows that Abbott has intentionally reported inflated prices and has engaged in other improper business practices in order to cause its customers to receive windfall profits from Medicare and Medicaid when submitting claims for certain drugs. The evidence further reveals that Abbott manipulated prices for the express purpose of expanding sales and increasing market share of certain drugs. This was achieved by arranging financial benefits or inducements that influenced the decisions of health care providers submitting Medicare and Medicaid claims.

Contrary to Abbott's recent assertions in the national media, the price manipulation conduct was in no way required by or consistent with existing reimbursement laws or policies. Indeed, Abbott did not falsify published prices in connection with other drugs, where sales and market penetration strategies did not include arranging financial "kickbacks" to health care providers.

In the case of the drugs for which Abbott sought to arrange a financial kickback at

the expense of government programs, the manipulated discrepancies between your company's reported AWP and DP versus their true costs are staggering. For example, in the 2000 edition of the Red Book, Abbott reported an AWP of \$2,094.75 and a DP of \$1,764.00 for a package of Acyclovir Sodium 1 gm. 10's

Acyclovir Sodium is an important drug in the treatment of AIDS related illnesses and it is essential that government health programs be able to accurately estimate its acquisition cost in setting reimbursements. Even more devastating, Abbott has intentionally caused the government to pay inflated amounts for this important drug at a time when AIDS health benefits were being limited due to budgetary constraints.

Another example of Abbott's drug price manipulation concerns the IV antibiotic Vancomycin, the drug of last resort in combating many life threatening infections. The public health crisis associated with the overutilization of Vancomycin is now of immediate concern. Exhibit #2, article from Hospital Pharmacist Report entitled Under Attack Vancomycin-Resistant S. Aureus Hits U.S. Shores, states: Indeed, as stated in the article, the problem has reached the level where the CDC has called for strict limits on the use of this vital drug.

In recent press reports, Abbott attempts to avoid responsibility for financially inducing health care providers to administer Vancomycin. Abbott has suggested that the drug's usage in the outpatient setting is minimal. The evidence developed by the Congressional investigators, however, reveals that outpatient utilization of Abbott Vancomycin has grown substantially in recent years as Abbott inflated its price reports to drug price publishers, while the true price to health care providers fell. Enclosed as Composite Exhibit #3 are excerpts from the Red Book showing Abbott's false price reports for Vancomycin in 1995, 1996 and 1999, together with advertisements available to industry insiders reflecting the lower actual prices. The following chart summarizes this information:

The evidence uncovered shows that providers will purchase and utilize pharmaceutical manufacturers' products that have the widest spread between the providers' true costs and the reimbursement paid by third parties—including State Medicaid Programs and Medicare. In 1996, Abbott, Fujisawa, Lederle, Lilly and Schein all made representations of Wholesaler Acquisition Cost ("WAC") to the State of Florida, as summarized in the chart below (Exhibit "4"). The chart sets out the reimbursement amount paid by Florida Medicaid, the industry insider's true cost and "the spread" between Medicaid reimbursement and true cost. A review of the chart below clearly demonstrates that the vast majority of providers utilize Abbott's Vancomycin, the drug with the greatest spread between the true wholesaler acquisition cost and the inflated false WAC reported by Abbott.

Exhibit "5", prepared by the National Association of Medicaid Fraud Controls Units in conjunction with their ongoing investigation, further demonstrates that Abbott maximized sales volume and

The following document (Exhibit "6") reflects misleading price representations that Abbott sent to Medi Span (now acquired by First Data Bank) concerning two package sizes of Vancomycin. Medi Span's data acquisition specialist attempted to clarify with "Jerrie," from Abbott, the pricing discrepancies and confusion over the prices of the two packages:

Abbott's apparent price manipulation created a financial incentive for doctors to increase their usage of Vancomycin, at the very time that overutilization of the drug created a health crisis. This is an especially reprehensible misuse of Abbott's position as a drug manufacturer.

Additionally, as indicated by the evidence below, Abbott has provided or arranged for a number of other financial inducements to stimulate sales of its drugs at the expense of the Medicaid and Medicare Programs. Such inducements include volume discounts, rebates, off invoice pricing, and free goods, and are designed to result in a lower net cost to the purchaser, while concealing the actual cost. For example, a product invoiced at \$100 for ten units of a drug item would in reality only cost the purchaser half that amount if a subsequent shipment of an additional ten units is provided at no charge. The same net result can be achieved through a "grant," "rebate," or "credit memo" in the amount of \$50. The following excerpts from Abbott's internal documents (Composite Exhibit "7") are examples of Abbott's creation of off invoice price reductions that conceal the true price of drugs and impede the Medicare and Medicaid Programs from accurately estimating the acquisition cost of drugs:

As I am sure you are aware, the inflation index for prescription drugs continues to rise at a rate of more than twice that of the consumer price index. The American taxpayers, Congress and the press are being told that these increases are justified by the cost of developing new pharmaceutical products. Abbott and certain other manufacturers are clearly exploiting the upward spiral in drug prices by falsely reporting that prices for some drugs are rising when they are in fact falling. For example, the actual price being paid by industry insiders for Abbott's drug, Sodium Chloride 0.9 percent, was in many years less than half of what Abbott represented. Abbott falsely reported that the average wholesale price to health care providers for Sodium Chloride 0.9 percent, 500 ml 24s, [NDC # 00074-7983-03], rose from \$206.06 to \$229.43 during the years 1993 through 1996. The Congressional investigations have revealed that, in fact, the true price to industry insiders from Florida Infusion was only \$43.20 in 1993 and the price actually fell to \$36.00 by 1996. (Composite exhibit 8).

Abbott's knowledge that true wholesale prices were falling for many of its drugs at the very time that it falsely reported that its prices were rising is evidenced by an internal Abbott document (Exhibit "9") dated March 10, 1994 to a wholesaler, Florida Infusion, which states the following:

"The first three pages, identified as Florida Infusion Price Changes indicate the products in which prices were changed and their new contract price. Favorable factory cost in 1994 have lead the way for these price reductions! (emphasis added).

Shortly after informing Florida Infusion that its prices were being reduced, Abbott falsely informed Red Book that its prices were being increased, as evidenced by the internal memo dated May 26, 1994 (Exhibit "10"):

"As you are aware, on at [sic] the beginning of April, Abbott took a list price increase. This also has an effect on our AWP (Average Wholesale Price) which Red Book quotes for reimbursement purposes."

Abbott created and marketed these financial inducements for the express purpose of influencing the professional judgment of doctors and other health care providers. Abbott's strategy of using taxpayer funds to increase company drug sales and enriching