

Health Advocates or Hired Guns?

Critics of Prop 61 Receive Millions from the Pharmaceutical Industry

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SUMMARY

→ **The Pharmaceutical industry's reputation is abysmal, forcing it to use other, better respected groups to campaign against Proposition 61, the California Drug Price Relief Act**

- The August 2016 Gallup tracking poll found 51% of Americans rates the industry negatively, with the industry receiving a net negative 23 points, the worst response to the industry in the 16 year history of the poll.
- Not-for-profit health groups are among the most influential and trusted stakeholders in US health policy, but the public might have a more skeptical view of some of these groups if they were aware of the millions of dollars given to these groups by the Pharmaceutical industry.
- Pharmaceutical companies that give large sums to not-for-profit health groups are banking on the perception of these groups' impartiality in the public mind, as noted by a marketing CEO noted in the industry publication Pharmaceutical Executive: *"A message's credibility is greater when delivered by impartial third parties than by entities seeking to profit from it."*

→ **California not-for-profit health groups publically opposing the Prop 61 have received substantial funding from the same large Pharmaceutical industry firms bankrolling the anti-initiative campaign**

- Between 2008 and 2016, Pharmaceutical companies granted at least \$5.1 million directly to health groups now opposing Prop 61, and an additional \$4.4 million to affiliated parent organizations for a total of at least \$9.5 million dollars, though reporting is voluntary and limited, so these estimates are likely to be substantially less than the amounts actually received.
- The Bonnie J. Addario Lung Cancer Foundation and its affiliate received a combined \$2.5 million from pharmaceutical companies opposing Prop 61.
- The California Medical Association, and its affiliated California Medical Foundation, received a combined \$1.5 million, largely from major Prop 61 opponents Pfizer and GlaxoSmithKline.

→ **The public is largely unaware of these conflicts of interest, which should be disclosed in reporting on Prop 61, but are often omitted in media reporting**

- Funds provided by anti-Prop 61 pharmaceutical companies to health groups opposing the measure, represent a form of political 'dark money,' that corrupts the fairness of our electoral process.
- By failing to note these conflicts of interest the media is aiding and abetting a 'dark money' campaign on the part of the Pharmaceutical industry to influence the election.

Health Advocates or Hired Guns? Critics of Proposition 61 Receive Millions from the Pharmaceutical Industry

The Pharmaceutical industry's reputation is abysmal, and like a sinking ship, continues to take on water. The August 2016 Gallup tracking poll found 51% of Americans rates the industry negatively, with a mere 28% having a positive view.¹ In the poll, the Pharmaceutical industry's reputation received a net negative 23 points, the worst response to the industry in the 16 year history of the poll.² With the industry's reputation at an all time low, the industry is being forced to spend upwards of a \$100 million campaign against Prop 61, the California Drug Price Relief Act.

Offered by health and consumer advocates, Prop 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.³ 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."⁴

This pricing disaster for the Pharmaceutical industry would be sweet relief from high drug prices for millions of Americans. With its reputation in the gutter, the Pharmaceutical industry desperately needs other, better-liked groups to make its case for it. Among the cast of characters assembled by the Pharmaceutical industry to oppose Prop 61, are not-for-profit health groups listed under "Health" on the Who We Are section of the No on Prop 61 website.⁵ A review of the grant registries voluntarily posted by pharmaceutical companies opposed to Prop 61 show that there are substantial financial ties between these pharmaceutical companies and many of these health groups.

The data presented in this brief compiles funding from anti-Prop 61 pharmaceutical companies directly to these health groups and closely linked affiliates such as associated foundations, as well as to parent organizations of these health groups during the 2008 to 2016 period.⁶

¹ Gallup, Restaurants Again Voted Most Popular U.S. Industry, <http://www.gallup.com/poll/194570/restaurantsagain-voted-popular-industry.aspx>, accessed 10/6/16

² Ibid

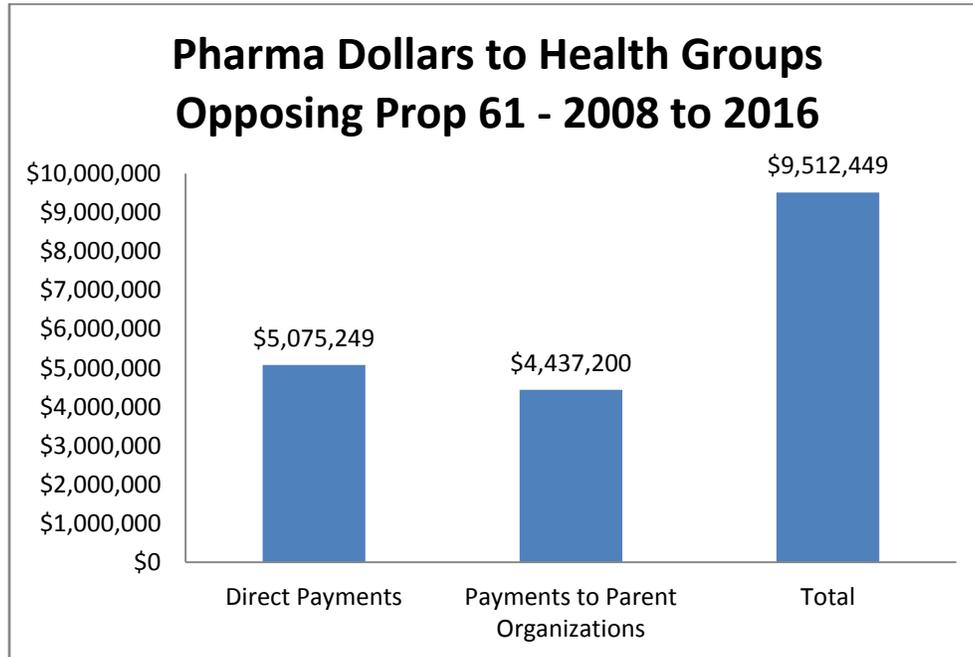
³ Comparing the Costs of the Veterans' Health Care System With Private-Sector Costs
CBO, DECEMBER 2014 https://www.cbo.gov/sites/default/files/113th-congress-2013-2014/reports/49763-VA_Healthcare_Costs.pdf, accessed 10/3/16

⁴ 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

⁵ No On Prop 61, Who We Are, <http://www.noprop61.com/who> Note: Groups reviewed were listed as supporters of the No On Prop 61 campaign as of 10/6/16

⁶ For example the \$570k the California Medical Association Foundation received is included in CMA's totals. Similarly the \$20k received by the San Diego County Medical Foundation is included in the San Diego County Medical Association's totals. The financial relationships of specific board members to anti-Prop 61 pharmaceutical

In the past eight years these pharmaceutical companies have granted at least \$5.1 million to health groups now opposing Prop 61, and an additional \$4.4 million to affiliated parent organizations for a total of \$9.5 million dollars. Such ties create the appearance of significant conflicts of interest that should be noted in reporting on these groups' opposition to Prop 61. Health groups opposing Prop 61 owe it to all Californians to disclose their financial ties with the pharmaceutical industry.



As previously noted the pharmaceutical companies' disclosures of their grants to not-for-profit health groups and others are made voluntarily. Not all companies post grant registries or have made them available for all years. Major firms such as Johnson & Johnson, Gilead, and Bayer do not provide registries on their websites. Others only provide partial data. For example, Genentech currently makes only reports for 2015 available on its website, while reports for 2010, 2011, and 2012 are only accessible via Archive.org.⁷ As a result the figures presented in this brief are likely to underestimate, perhaps substantially, the amount of money flowing to these not-for-profit health groups, who face no requirement to disclose the funds they receive from pharmaceutical firms and rarely do so voluntarily.

In the absence of transparency, funds provided by anti-Prop 61 pharmaceutical companies to health groups opposing the measure represent a form of political dark money that corrupts the fairness of our electoral process. Political dark money is political spending made with the intent

companies are not included in the data compiled in this report. Funds earmarked for other affiliates of national organizations are not included.

⁷ Archive.org, <https://archive.org/web/>, Genentech, Grants and Contributions Report, <http://www.gene.com/good/grants/grants-contributions>, accessed 10/3/16. Funds that may have been transmitted to these groups through from the pharmaceutical companies via third party intermediaries are also not included.

to influence the voter, including via donations to not-for-profit organizations, where the donor is undisclosed and the source of the money is unknown.⁸ In the absence of critical reporting on the politically compromising financial ties of these anti-Prop 61 health groups, voters are left in the dark, and the anti-Prop 61 pharmaceutical companies are aided in their deception.

Among the most high profile health groups opposing Prop 61, listed on the NoOnProp61.com website, are the Bonnie J Addario Lung Cancer Foundation, and the California Medical Association. The Bonnie J Addario Lung Cancer Foundation and its affiliate, the Addario Lung Cancer Medical Institute, received a combined \$2.5 million from pharmaceutical companies that oppose Prop 61. The California Medical Association and its affiliated California Medical Foundation received a combined \$1.5 million, largely from Pfizer and GlaxoSmithKline, two key opponents of Prop 61, between 2008 and 2016. A July 4, 2016 New York Times article titled "*California Drug Price Plan Is Criticized by Patient Advocates*", (and displayed prominently in Anti-Proposition 61 advertising) quoted the California Medical Association (CMA) as stating the initiative was "deeply flawed and unworkable," but failed to note the at least \$1.5 million received by CMA from pharmaceutical industry opponents of Prop 61.⁹

Other groups that have received substantial funding from anti-Prop 61 pharmaceutical companies include the California Chronic Care Coalition (\$249,700), US Pain Foundation (\$168,000), Medical Oncology Association of Southern California (\$136,500), Mental Health America of California (\$132,000), the International Pain Foundation a.k.a. Power of Pain Foundation (\$123,000), and the Los Angeles County Medical Association (\$112,500). In the interest of full disclosure, the complete extent of these and other financial ties should be revealed by health groups opposing Prop 61.

Pharma Dollars Directly to Anti-Prop 61 Health Groups - 2008-2016†

Anti -Prop 61 Health Groups	Pharma \$
Bonnie J Addario Lung Cancer Foundation*	\$2,495,921
California Chronic Care Coalition	\$249,700
California Hepatitis C Task Force	\$11,500
California Medical Association**	\$1,504,043
California Psychiatric Association	\$10,500
California Urological Society, Inc.	\$6,000

⁸ Open Secrets.org, Dark Money Basics, <http://www.opensecrets.org/dark-money/dark-money-basics.php>, accessed 10/4/16

⁹ California Drug Price Plan Is Criticized by Patient Advocates, New York Times, July 4, 2016 http://www.nytimes.com/2016/07/05/business/california-drug-price-plan-is-criticized-by-patient-advocates.html?_r=0, accessed 10/3/16

Anti -Prop 61 Health Groups (Cont.)	Pharma \$ (Cont.)
International Foundation for Autoimmune Arthritis	\$5,000
International Pain Foundation - Power of Pain Foundation	\$123,000
Latino Diabetes Association	\$8,500
Los Angeles County Medical Association	\$112,500
Lupus Foundation of Southern California	\$22,500
Medical Oncology Association of Southern California	\$136,500
Mental Health America of California	\$132,000
Minority Health Institute	\$15,500
National Council of Asian Pacific Islander Physicians	\$48,000
San Diego County Medical Society***	\$20,000
Sierra Sacramento Valley Medical Society	\$4,085
The G.R.E.E.N Foundation	\$2,000
U.S. Pain Foundation	\$168,000
Total	\$5,075,249
*Includes \$150,000 donated to the Addario Lung Cancer Medical Institute	
**Includes \$569,043 to the California Medical Association Foundation	
***Funds went to San Diego County Medical Society Foundation	
†This information is collected from grant registries voluntarily published by the major pharmaceutical companies opposing the initiative financially. Not all companies post such registries or have made them available for all years. As a result the figures are likely to underestimate, perhaps substantially, the amount of money flowing to these groups.	

In addition to the direct funding of these health groups, between 2008 and 2016, large amounts of money have flowed from pharmaceutical companies to the parent organizations of health groups opposing Prop 61. Parent groups receiving these funds include Mental Health America, parent of Mental Health America of California (\$3.1 million), and the American Liver Foundation, parent of American Liver Foundation-Greater Los Angeles Division, Pacific Coast Division (\$1.3 million).

Pharma Dollars to Parent Organizations of Anti-Prop 61 Health Groups 2008-2016†

Parent Organizations	Pharma \$
American Liver Foundation*	\$1,338,350
Mental Health America**	\$3,098,850
Total	\$4,437,200
*Parent of American Liver Foundation – Pacific Coast Division, and American Liver Foundation – Greater Los Angeles Division	
**Parent of Mental Health America of California	
†This information is collected from grant registries voluntarily published by the major pharmaceutical companies opposing the initiative financially. Not all companies post such registries or have made them available for all years. As a result the figures are likely to under-estimate, perhaps substantially, the amount of money flowing to these groups.	

Under the Radar Funding for Health Groups fraught with Controversy

While the funding of health groups by the pharmaceutical industry flies below the radar of many people, and often goes unexplored by the press, it is extremely controversial. A noteworthy exception to the media's widespread lack of interest in this subject was the Sept. 27, 2016 New York Times article "Furor Over Drug Prices Puts Patient Advocacy Groups in Bind" which pointed out that despite clout on Capitol Hill and huge budgets for advocacy health groups were sitting out the raging debate of pharmaceutical pricing.¹⁰ The possible reason for this was put plainly in the article: "*To those who have closely followed the drug world, the reason is simple: Many of the groups receive millions of dollars a year in donations from companies behind the drugs used by their members.*"¹¹ For example, an August 4, 2016 report by Public Citizen found that out 147 patients' groups that sided with the pharmaceutical industry in opposing a Medicare Part B demonstration project that sought to lower spending on the most expensive drug treatments, 110 of these groups (75%) received industry funding.¹²

¹⁰ Furor Over Drug Prices Puts Patient Advocacy Groups in Bind, New York Times, <http://www.nytimes.com/2016/09/28/business/furor-over-drug-prices-puts-patient-advocacy-groups-in-bind.html>, accessed 10/3/16

¹¹ Ibid

¹² Public Citizen, Patients' Groups and Big Pharma Three in Four Patients' Groups That Sided With the Pharmaceutical Industry Against Medicare Drug Price Reforms Received Industry Money, August 4, 2016 <http://www.citizen.org/documents/patients-groups-and-big-pharma-money-report.pdf>, accessed 10/3/16

Similarly in California, opposition to Prop 61 by some health groups is no accident, but instead is part of the everyday pattern of advocacy such health groups pursue, in tandem with pharmaceutical companies. Health groups, like dogs, rarely bite the hands that feed them.

Sheila Rothman of Columbia's Center for the Study of Society and Medicine has noted health groups such as those listed in this paper are "...are among the most influential and trusted stakeholders in US health policy."¹³ As Rothman points out while health groups "...are not legally required to disclose the names of their corporate sponsors, their advocacy activities and the level of public trust that they enjoy makes transparency more obligatory."¹⁴

According to Rothman such groups:

...advocate for members' unrestricted access to all drugs, devices, and diagnostic tools relevant to their health conditions, almost always favoring branded drugs over generics, new screening technologies over older ones, and open formularies rather than closed ones. These positions closely correspond to the marketing aims of pharmaceutical and device companies; each position would help to increase product sales.¹⁵

Pharmaceutical companies that give large sums to health groups are banking on these groups perceived impartiality in the public mind. As marketing CEO Josh Weinstein noted in Pharmaceutical Executive, for the Pharmaceutical industry: "*A message's credibility is greater when delivered by impartial third parties than by entities seeking to profit from it.*"¹⁶ Weinstein points out that what is particularly valuable for Pharmaceutical companies are "...advocacy groups who know a company and its values [and] can be counted on to speak out for it and relevant issues in times of need."¹⁷

The California Chronic Care Coalition, which opposes Prop 61, while receiving at least \$249,700 directly in industry funding, is typical of the health groups Weinstein refers to. Groups like the Coalition present themselves as patient advocates but essentially function as political entrepreneurs, taking pharmaceutical industry money, while defending pharmaceutical positions to the hilt. The group was also among those named as receiving industry funding in the above-mentioned Public Citizen report.¹⁸ Questioned on her ties to the Pharmaceutical industry Liz Helms, President and CEO of the Coalition, bizarrely claims that it is sheer coincidence when the Coalition's priorities fall in line with those of their funders, and "...not because they've influenced us to agree with them."¹⁹ Helms also states she won't support policy that "...hinders

¹³ Rothman, Sheila M. PhD, Victoria H. Ravels PhD, Anne Friedman BA, and David J Rothman PhD, Health Advocacy Organizations and the Pharmaceutical Industry: An Analysis of Disclosure Practices, *American Journal of Public Health*. 2011 April; 101(4): 602–609.

¹⁴ Ibid

¹⁵ Ibid

¹⁶ Weinstein Josh, Public relations: why advocacy beats DTC. Pharmaceutical Executive. 2004; 68(86):1

¹⁷ Ibid

¹⁸ Public Citizen, Patients' Groups and Big Pharma Three in Four Patients' Groups That Sided With the Pharmaceutical Industry Against Medicare Drug Price Reforms Received Industry Money, August 4, 2016 <http://www.citizen.org/documents/patients-groups-and-big-pharma-money-report.pdf>, accessed 10/3/16

¹⁹ "This Patient Advocate Has No Quarrel With Big Pharma", California Healthline, August 19, 2016, <http://californiahealthline.org/news/this-patient-advocate-has-no-quarrel-with-big-pharma/>, accessed 10/4/16

the industry's ability to develop new treatments."²⁰ This dedication to 'innovation' reflects boilerplate Pharmaceutical industry talking points that conveniently ignore the fact that the industry routinely spends far more on marketing and financial engineering, such as stock buybacks to inflate share prices, than on research and development.

In failing, to report on their sources of funding and to critically examine the impartiality of these health groups, the press often aids and abets the Pharmaceutical industry's transparent attempts to bamboozle the public with what, in many cases, appears to be bought and paid for advocacy on the industry's behalf.

Coalition of the Billing? Pharma's financial ties to Prop 61 opponents go beyond health groups

While health groups are often among the Pharmaceutical industry's first line of defense, they are certainly not the only groups routinely deployed on behalf of the industry. The California NAACP is among the coalition of groups opposing Prop 61.²¹ Alice Huffman, President of the California NAACP since 2000,²² is also President and CEO of her firm A.C. Public Affairs, Inc.²³, a Sacramento firm whose website states that it: "specializes in initiative campaigns, strategic public policy issues and grass roots, grass top organizing."²⁴ The A.C. Public Affairs website lists ballot measure opponent sponsor Pharmaceutical Research and Manufacturers of America (PhRMA), the Pharmaceutical industry's main trade and lobby group, at the top of the list of clients AC Public Affairs discloses on its website.²⁵

Huffman's Sacramento-based consulting firm, A.C. Public Affairs, Inc., has been paid at least \$12,000 to work for the campaign against Prop 61. Campaign finance reports show her Sacramento-based firm received \$6,000 and is owed another \$6,000 for work from January 1 to March 31 for supporting the No on 61 Campaign.²⁶

In 2005, Huffman also threw the California NAACP's support behind Big Pharma's \$85-million effort to defeat Prop 79, a ballot measure that would have required drug discounts for those with low incomes.²⁷ At the time, Huffman also was serving as a political consultant to the pharmaceutical companies. During that campaign, Huffman was paid at least \$375,000 according to the official state records. Her consulting firm was also reimbursed by drug companies for \$415,670 in payments it made for campaign mailings in the 2005 campaign.²⁸

²⁰ Ibid

²¹ 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 10/5/16

²² California NAACP website, <http://www.ca-naacp.org/about/leadership/alice-huffman>; accessed 10/6/16 Note: Christopher Jackson, Vice President of operations at AC Public Affairs also serves on the California NAACP Executive Committee.

²³ AC Public Affairs website, President http://acpublicaffairs.com/?page_id=39; accessed 10/6/16

²⁴ AC Public Affairs website, Home, <http://acpublicaffairs.com/>; accessed 10/6/16

²⁵ AC Public Affairs website, Clients, http://acpublicaffairs.com/?page_id=44, accessed 10/6/16

²⁶ CA NAACP HEAD TAKES PHARMA MONEY, THEN SIGNS NO ON 61 BALLOT ARGUMENT IN VOTER PAMPHLET, YES ON 61, <http://yeson61.com/?p=2075>, accessed 10/6/16

²⁷ Ibid

²⁸ Ibid

Conclusion

Pharmaceutical companies direct funding of health groups opposing Prop 61, and their payments to parent groups are just two of the ways that pharmaceutical companies and these groups are linked. While these direct linkages have been the focus of this brief, there are a number of other connections between pharmaceutical companies opposing Prop 61 that should be examined. The Yes on 61 Campaign's site Follow the Drug Dollars (www.followthedrugdollars.com) provides information on additional linkages such as direct payments to individual doctors who serve on the boards of these groups from drug and medical device manufacturers.²⁹

The Pharmaceutical industry and the health groups they fund are doing everything they can to obscure these facts. By failing to note the financial ties the media is aiding and abetting a 'dark money' campaign on the part of the Pharmaceutical industry in tandem with not-for-profit health groups to influence public opinion and further corrupt our electoral process. One wonders how big the pay-off to these not-for-profit health groups will be if they are successful in helping Pharmaceutical industry succeed in its \$100 million campaign to defeat Prop 61.

²⁹ FOLLOW THE DRUG DOLLARS: DOCTORS & CMA, <http://www.followthedrugdollars.com/#section-groups>, accessed 10/4/16