In Drug-Aid Foundations, a Web of Corporate Interests

By ALEX BERENSON

The mission of the HealthWell Foundation sounds unassailable. Founded two years ago, HealthWell offers financial assistance to patients who need help paying for medical care to treat cancer, rheumatoid arthritis and other diseases.

HealthWell is just one of several foundations that assist patients in making their insurance co-payments for expensive drugs. With the January rollout of Medicare Part D, which requires most patients to come up with $3,600 in co-payments annually before receiving full coverage, the foundations are busier than ever.

"We're performing a valuable function," said Stephen M. Weiner, a Boston lawyer who is HealthWell's president.

But co-pay foundations are not without their detractors, who worry that they are little more than ways for drug makers to sustain their high prices by funneling patients enough money to meet their co-payments, while letting insurers pick up most of the bill.

Federal laws against kickbacks bar pharmaceutical companies from directly giving money to patients for co-payments on the drugs they make. But HealthWell and other co-payment charities can effectively avoid that stricture by soliciting money from companies to be spent on very narrow categories of disease — like cutaneous T-cell lymphoma, a very rare form of skin cancer — for which only one or two treatments exist.

For example, the primary drug treatment for cutaneous lymphoma is nitrogen mustard, whose price recently increased about tenfold, to roughly $700 a dose. Ovation Pharmaceuticals, which markets nitrogen mustard, is one of HealthWell's donors.

HealthWell and the other co-pay charities do not routinely disclose their donors, though Mr. Weiner confirmed Ovation's sponsorship in response to a question. But Mr. Weiner said that nearly all the money that HealthWell raises comes from drug companies. "It's an awkward situation," he said.

Co-pay charities are financed by drug makers and run by industry executives.

The awkwardness may not end there, because HealthWell is not a typical charity. It was created in 2004 by Covance, a for-profit health care consulting company based in Princeton, N.J., whose business includes conducting clinical trials for drug makers. Covance had $1.3 billion in sales last year.

All of HealthWell's employees work for Covance, which selected Mr. Weiner and HealthWell's other original trustees. And some of Covance's biggest clients are the same drug companies that HealthWell solicits for donations.

Similarly, the Patient Access Network Foundation, another new co-pay charity, was created and is staffed by the Lash Group, a subsidiary of AmerisourceBergen, another large for-profit health care company.

The ties between the foundations and their corporate creators present an obvious conflict of interest, in the view of Abby S. Meyers, the president of the National Organization for Rare Disorders, a charity that supports research for so-called orphan diseases and also provides co-pay assistance.

Lash and Covance have a strong incentive to run the Patient Access and HealthWell foundations in the interest of their corporate clients, Ms. Meyers said.

"These companies have gone out purposely and set up phony charities," Ms. Meyers said, speaking of Covance and the Lash Group. "The drug companies see them as a contractor; where if you come to us, we're not a contractor, we're a charity."

Scott Haenni, the assistant secretary for the Patient Access Network Foundation and the senior director of legal affairs and corporate compliance for the Lash Group, said the criticism was misguided because the foundation works independently of Lash.

"We tell donors that if you provide funding to the foundation, it is a charitable donation, and there is no guarantee that your products will receive support," Mr. Haenni said. And the foundation has an independent board that could, if it chose, hire its own employees to run the foundation or hire a different company to manage it, he said.

"We feel that these types of organizations are legitimate, that they're appropriate, that they've been scrutinized by the government," Mr. Haenni said.

Last year, the Office of the Inspector General for the federal Health and Human Services Department published guidelines allowing drug companies to make donations to the co-pay charities, as long as the charities are independently run and make donations based on financial need and type of disease — not for specific drugs.

Vicki Robinson, the chief of the industry guidance branch for the Office of the Inspector General, said her office was not endorsing the foundations but merely trying to make sure that they do not violate federal kickback laws.

Foundations that are created and run by for-profit companies deserve especially close scrutiny, Ms. Robinson said. "It's a relevant factor," she said.

Mr. Weiner, the president of HealthWell's board, said he hoped to broaden HealthWell's donor base so the foundation was not so dependent on drug companies. Until that happens, the charity may face questions about its motives, he acknowledged.

"The diversification of the funding base is very important to us," he said.