



Reimportation of Prescription Drugs

The rising cost of prescription drugs in the United States continues to outpace Americans' abilities to pay. Since the first three months of 2004, drug manufacturers have raised costs for existing drugs by nearly triple the rate of inflation.¹ This is especially true with older Americans. Unfilled prescriptions, foregone dosages, and poorer health outcomes have resulted.

On average, prescription drugs cost Canadian, British, and French consumers 34-59% less than they cost Americans.² Current federal law prohibits the importation of prescription drugs, including FDA-approved brands, into the United States. However, more than a dozen cities and states have already ordered American-manufactured, FDA-approved drugs from licensed Canadian pharmacies, achieving greater savings for patients than those presently provided by the Medicare drug discount cards. For example, Springfield, Massachusetts has saved \$2.5 million for its city workers by importing drugs from Canada.³ No counterfeit or altered medications have ever been reported through these transactions, demonstrating the potential safety of legalized drug reimportation.

Unfortunately, many consumers do not have access to these state-implemented reimportation programs and have resorted to ordering their drugs from unsanctioned Internet websites, leading to shipments of tainted and unapproved drugs that are often cited by the FDA. Rather than harming the case for reimportation, these incidents represent the need for drugs imported from Canada and other countries with reliable oversight structures. Federally regulated reimportation would reduce costs of prescription drugs, and remove incentives to obtain medications from rogue sources.

Pharmaceutical interests object that lower prices from reimported sales would compromise research and development funds. However, a recent study by the Boston University School of Public Health found that a 44.5% rise in demand for prescription drugs from Canada would actually increase profit margins for drug manufacturers.⁴ Furthermore, the Henry J. Kaiser Family Foundation has documented that costs associated with aggressive direct-to-consumer advertising by pharmaceutical companies (\$2.6 billion in FY 2002) are absorbed by consumers in the form of higher prices set by the industry.⁵ If these practices are scaled back, and the U.S. market for needed prescriptions is expanded via reimportation, resources for R&D innovation will remain intact and may even improve.

Compliance with prescription regimens is crucial for the wellness of many American citizens, including Medicare beneficiaries. The American public should not face financial barriers to this critical component of their health care, nor be pressured into seeking affordable recourse without guidance and safety assurance. APHA supports the reimportation of FDA-approved drugs from Canada and other countries, supplemented with the following features:

- Infrastructure for frequent FDA oversight of approved foreign reimporters.
- Prevention of unethical supply sanctions against Canadian pharmacies by U.S. drug companies.
- Prevention of other discriminatory measures, such as slight alterations of drugs sold to Canada to render them unmarketable in the U.S.

Related APHA Policy: 20006, 9934

¹ Trends in Manufacturer Prices of Brand Name Prescription Drugs Used by Older Americans First Quarter 2004 Update, AARP Policy Institute, June 2004.

² Doughnut Holes and Price Controls, *Health Affairs*, July 2004.

³ Drug Reimportation Plan Saves City \$2.5 Million, *The Washington Post*, July 2004.

⁴ Do Drug Makers Lose Money on Canadian Imports?, Boston University School of Public Health, April 2004.

⁵ Trends and Indicators in the Changing Health Marketplace, 2004 Update, Kaiser Family Foundation, April 2004.