

# Ensuring a supply of affordable drugs

By Alan Sager and Deborah Socolar | June 21, 2004

LAST YEAR, a million Americans needing affordable prescription drugs found a safety valve. By fax, the Web, or by bus, they bought drugs abroad at low prices. Drug makers must be wondering, "How you gonna keep 'em down on the pharm after they've seen Winnipeg?"

Importing is exploding the myth that high US drug prices are inevitable. Further, the importing debate points to smarter ways to win lower prices and drug coverage for all, while enhancing research.

Just before the 2000 election, Congress passed a bill purporting to legalize importing prescription drugs from Canada. But it was never implemented because federal officials refused to certify that importing was safe.

Importing has burgeoned nevertheless. That's because 70 million Americans -- one in four -- lack drug coverage and because our prices are the world's highest -- about two-thirds above Canada's.

Drug makers, their lobbyists, and friends in the FDA claim that importing would harm profits, thereby discouraging breakthrough research. They also claim it would let in tainted drugs.

As imports surge, drug makers restrict supplies in Canadian warehouses. Importation's backers then propose allowing imports from many countries. Drug makers allege that this would magnify safety problems.

Now, just before this year's election, and with US drug spending doubling every five years, Congress is likely to legalize at least symbolic levels of importing.

If we look beyond today's political debate, importing appears to be one useful step toward developing a comprehensive prescription drug policy.

First, the FDA has apparently not yet identified a single American harmed by Canadian imports.

Second, if importing lowered US prices, patients wouldn't resort to unsafe vendors. Safety is therefore a reason to legalize imports or otherwise control prices -- not a pretext for intransigence.

Third, importing might not hurt drug makers' profits. Yes, they'd lose money when Americans substitute cheaper Canadian prescriptions for ones formerly filled here. But they'd make money when Americans fill new prescriptions in Canada that they previously could not afford here. We've found that if 44 percent or more of prescriptions imported from Canada are new, drug makers' profits actually rise.

Fourth, the goal is not to import drugs. It is to win lower prices for Americans. (Unless prices are cut, slowing drug spending requires cutting use. But that's folly, since drugs are cheap to make and clinically valuable.) Importing is a politically attractive way to cut prices. And showing that lower prices are possible opens the door to other solutions.

Fifth, importing risks getting entangled in regulatory barbed wire placed at the border by the FDA and drug makers. There is a simpler alternative; we can enact state and federal laws to cut US prices to Canadian levels. This alone would cut drug makers' revenue sharply, but all lost dollars can be replaced. Lower prices allow more patients to buy pills, offsetting much or most of

the lost revenue. We could replace the rest through public programs to help buy drugs for patients who can't otherwise afford them. And we could pay drug makers the very low real cost of manufacturing more pills to fill the new prescriptions. Bottom line: profits are maintained at current levels.

Sixth, consequently, all Americans could afford the drugs their doctors prescribe, total cost barely rises, and drug makers are financially whole. This arrangement's political stability would encourage drug makers to invest more in breakthrough research.

Seventh, today's high US prices are the enemy of research, not its ally. Knowing that high US prices can't last, big drug makers now seek quick profits through marketing, advertising, and mergers. Too much of their research is conservative, pursuing "me-too" versions of other companies' successful drugs. (Too little is risky but vital pursuit of breakthroughs on Alzheimer's, AIDS, and other grave diseases.) These maneuvers temporarily buttress high profits, but that reinforces political pressure to cut prices. It's no wonder drug makers are the most nervous very well dressed people in the United States.

Americans will spend \$250 billion on prescription drugs in 2004, half the world's total. Getting drugs for all Americans at affordable prices, while boosting research, is an easy task. It's time to win a victory for competence and compassion.

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