

— one-page summary —

**AMERICANS WOULD SAVE \$38 BILLION IN 2001
IF WE PAID CANADIAN PRICES FOR
BRAND NAME PRESCRIPTION DRUGS**

***How to Win Those Savings and
Use Them to Protect All Americans against High Drug Costs
without Hurting Drug Makers or Drug Research***

With State-by-state Savings Estimates

Testimony of

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Disclaimer: As always, I write and speak only for myself,
not on behalf of Boston University or any of its components.

Acknowledgment: This testimony rests heavily on analyses
conducted with my colleague, Deborah Socolar.

This and earlier reports and testimony on prescription drug costs and reform methods
are posted on our web site, <http://dcc2.bumc.bu.edu/hs/ushealthreform.htm>

Our nation must choose among:

- ***Suffering*** : Many of us could suffer and die for lack of needed medications, but that is intolerable.
- ***Paying*** : We could spend much more public or private money—or both—to buy needed drugs, but that is both unaffordable and unnecessary.
- ***Changing*** : We could secure more drugs from manufacturers for the amount we already spend, plus small extra sums to cover drug makers' actual incremental costs.

Change is the only realistic choice. Buying drugs at lower price levels, such as those already prevailing in Canada—as a result of government action—is an important first element of that change. Today's high U.S. prices make medications unaffordable for many patients. They induce private efforts to cut drug use, resulting in denial of needed drugs. And they handicap public actions to expand drug coverage for more citizens.

If Americans paid average Canadian prices for brand name drugs this year, savings across the United States would total \$38.4 billion, I estimate. Methods of calculating the savings are provided, as are projections of state-by-state savings.

Importing drugs from Canada has the potential to provide a measure of relief from high prices to some or even many individuals, so it should be tried until more effective price relief can be obtained.

Americans could act more directly to win Canadian prescription drug prices by importing the general methods that Canadians employ, not the lower-priced drugs themselves. Simply legislating lower prices for brand name drugs in the U.S. could work but passing such a law is obviously difficult politically.

Happily, price cuts can be combined with other approaches to protect both patients and drug makers.

- ***First*** , the federal government could enact a law to lower brand name drug prices to Canadian levels. If nothing else changed, the price cuts would deprive drug makers of \$38.4 billion in revenues from the U.S. market, as calculated earlier.
- ***Second*** , drug makers would replace much or most of this \$38.4 billion in lost revenue through the natural rise in the volume of prescriptions filled in the private market.
- ***Third*** , the federal government could guarantee drug makers that they would recoup every penny of lost revenue that was not replaced through higher private market volume.
- ***Fourth*** , the public subsidies would also include dollars needed to cover the actual incremental costs of manufacturing the higher volumes of drugs. These are relatively low, compared with current total costs. Public subsidies would also cover the added cost of dispensing the additional volumes of drugs.

I estimate the actual incremental costs of manufacturing and dispensing 977 million additional prescriptions to protect ***all*** Americans to be in the range of \$6.4 to \$11.8 billion in 2001.

In addition to these short-run changes, it will be necessary to implement new long-run methods of spurring development of breakthrough drugs, and of containing costs. The testimony sets out approaches to doing these things.