Massachusetts Town Defies Bush on Drug Imports, Saves $2.8 Mln

June 4 (Bloomberg) -- Springfield Massachusetts saved $2.8 million in the past year by importing prescription drugs from Canada for its employees and pensioners, defying the Bush administration, the world's biggest drugmakers and local doctors.

The "Springfield Meds" program benefits from cost reductions of as much as 70 percent because of Canada's price controls. The savings show why U.S. cities, counties and states are pressuring Congress to make it easier to import medicines.

While the Bush administration opposes imports, citing safety concerns, regulators helped New Hampshire Republican Senator Judd Gregg craft a proposal to make the process legal. Gregg announced his bill Wednesday and said his health committee would vote on it by the end of July. Two similar bills have been proposed in the Senate, and the House has passed an import measure.

Springfield was "the first to go public with a program," said Mark Reynolds, a special assistant to Boston Mayor Thomas Menino. Reynolds is coordinating the start next month of a similar import plan for retired city employees. "They deserve the credit for raising the notion."

Minnesota, Wisconsin, New Hampshire, North Dakota, Iowa and Illinois are among more than two dozen states that either help residents buy drugs from Canada or are weighing employee drug programs like Springfield's. Other local governments proposing or carrying out such plans include Burlington, Vermont; Montgomery, Alabama; and counties in New York, Tennessee and Pennsylvania.

Lost Profits

Pfizer Inc., the world's largest drugmaker, and Eli Lilly & Co. are among companies that oppose the imports, saying safety can't be guaranteed and reduced profits may slow drug development. Pfizer has cut off shipments to Canadian pharmacies that sell to U.S. customers.

"If we want to have price controls, we should just have price controls in the U.S. and not put the population at risk," said Peter Corr, Pfizer vice president of science and technology.

The Food and Drug Administration has rules against unauthorized drug imports that aren't enforced when individuals make purchases for their own use.

Drugmakers lose about 40 percent of their revenue when patients switch from U.S. to Canadian suppliers, according to Alan Sager, a Boston University health economist.

The drugs Americans bought through Canada last year would have cost $1.1 billion at U.S. pharmacies, according to IMS Health Inc., a Fairfield, Connecticut-based industry consultant.

FDA Meetings

Former FDA Commissioner Mark McClellan, 40, last November said he wouldn't rule out taking legal action against local governments such as Springfield. He met twice with former Springfield Mayor Michael Albano to discuss safety and legal issues raised by the city's program, and he wrote a letter discouraging it. The agency hasn't sought to block import programs of Springfield or other municipalities.

McClellan was named in February to lead an administration task force studying how Americans might buy cheaper medications from Canada without risking safety. He now oversees Medicare and Medicaid, the U.S. health programs for the elderly and the poor. Last week McClellan said the FDA was providing technical support to Gregg in writing his legislation.
Chris Collins, 53, Springfield’s insurance director, designed the program last year as the city of 150,000 was grappling with cuts in state aid and tax revenue that have since resulted in a $20 million budget shortfall. Standard & Poor’s Wednesday cut the city’s bond rating to junk status because of budget deficits and concerns the municipality would go into receivership.

Collins was looking for ways to save money for the employee health program, and his reading of U.S. drug regulations suggested the import plan would work.

Trial Order

``I was very confident that it wasn’t in violation of FDA’s regulations,” Collins said in an interview at his office in Springfield City Hall, which is about 90 miles west of Boston. “I couldn’t see a way that it would be stopped.”

As a trial of the idea, Collins last May ordered a 90-day supply of insulin for Albano’s then-13-year-old son, also named Michael, from Canax Services Inc., an Internet pharmacy in Tecumseh, Ontario. The shipment’s arrival in good shape would verify the plan and set it in motion, he and the mayor decided.

``The mayor just called me on the phone and said, ‘We got the package and everything was great,’” Collins said. “I knew this was going to work.”

The Springfield program buys medications for those with chronic conditions, such as high cholesterol, who need long-term prescriptions for drugs such as Pfizer’s Lipitor. About a third of the 10,000 eligible workers and retirees participate.

Prescription drugs cost Springfield $15 million last year, and the bill was expected to rise to about $18 million in 2004. Collins said that because of the savings from Springfield Meds there has been no increase in drug costs.

Lipitor Prices

Canax charges 41 percent less for Lipitor than Express Scripts Inc., the Maryland Heights, Missouri, pharmacy benefit manager that supplies Springfield with drugs that aren’t available from Canada. Springfield pays $2 for a 20 milligram Lipitor pill when it comes from Canada and $3.37 in the U.S.

To encourage employees to use the program, the city raised plan members’ share of costs to as much as $35 for U.S. prescriptions while eliminating co-payments for drugs bought through Springfield Meds. Linda Dion-Landry 56, a city insurance clerk, says she saves $240 a year in out-of-pocket expenses buying Pfizer’s Accupril heart medicine and AstraZeneca Plc’s Toprol from Canada.

The program is one of the few bright spots in the city’s financial picture, said Dion-Landry, as she stood among the desks of recently laid off co-workers in Springfield City Hall.

``If it saves my job or her job,” Dion-Landry said, indicating a fellow employee, “then it’s worth it.”

Not “Something Illegal”

Her husband, Roger, is a Springfield policeman. “I don’t look at it as doing something illegal,” Dion-Landry said. “It’s a cost savings for myself, my husband and the family.”

Some physicians and plan members have been slow to embrace Canadian drugs. Assistant Springfield Personnel Director Gail Walls said she will buy her drugs through Express Scripts until the FDA changes its stance.

``I’m waiting for them to make a determination as to whether it’s legal,” she said.

In the program’s first few weeks, one doctor refused to write prescriptions to buy drugs from abroad. Collins said he called Blue Cross and Blue Shield of Massachusetts Inc., which administers the city’s health services, and asked about it.
"It wasn't in his purview to decide where we were going to buy drugs from," Collins said. "Blue Cross made a phone call, and it stopped." Now the physician's office faxes prescriptions directly to Canarx, as most care providers in the plan do, Collins said.

Dodging Pfizer

Collins warned Canarx that U.S. drugmakers would try to cut off supplies.

"I told them to spread out, don't have all your pharmacies in one province," he recalls. At Collins's request, Canarx began sending the city's drug orders to a network of pharmacies across Canada that don't sell drugs over the Internet. "They've structured themselves around our needs."

The strategy worked. While Pfizer has curtailed shipments to Canadian Internet pharmacies that sell to U.S. patients, Springfield hasn't had problems getting its drugs from Canada, Collins said. Even if Pfizer finds their pharmacies, the program will continue, said Tony Howard, Canarx's president.

"If they shut us down in Canada, we'll be in Europe, and if they shut us down there, we'll be in Israel," he said. "We won't give up until America has fair and equitable pricing."

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