Once just a trickle, Canada's Rx drugs pouring into USA

By William M. Welch, USA TODAY

WASHINGTON — It began as a novelty: grannies riding buses to Canada in search of cheaper medicines. But today, that search has mushroomed into a cross-border war that pits desperate consumers and defiant state and local governments against the powerful pharmaceutical industry and the Bush administration.

From just a few million dollars a year in 2000, the importation of price-controlled drugs from Canada has grown to a projected $600 million this year and shows no signs of letting up. "I've never in my wildest dreams imagined an industry like this," says Andy Troszok, a pharmacist in Calgary, and vice president of an exporters' trade group.

The Bush administration, echoing the arguments of drugmakers, is fighting the medicine trade from Canada and elsewhere as illegal and unsafe.

"They are buying under buyer-beware conditions," Food and Drug Administration Commissioner Mark McClellan says of the estimated 1 million Americans who import prescription drugs.

The border war is being driven by a rapid rise in the cost of medications and the frustration of one in four U.S. seniors who have no drug coverage. It's also fueled by the tepid economy and rising unemployment in the USA, the ease of long-distance commerce over the Internet and increased awareness of significantly lower drug prices in Canada.

Frustrated by Washington's inability to control health costs, Illinois Gov. Rod Blagojevich has proposed establishing a drug importation program for state employees and retirees. Governors in Iowa, Michigan and Minnesota are considering similar moves — steps that would institutionalize the trade on an unprecedented scale.

State legislatures in Maine and Vermont passed resolutions this year urging GlaxoSmithKline and other drugmakers to resume shipments to Canadian pharmacies that had been cut off to reduce the drug trade. In Rhode Island, a bill allowing Canadian pharmacies to obtain state licenses to sell drugs to Rhode Islanders passed one chamber of the legislature.

The mayor of Springfield, Mass., Michael Albano, has begun a drug import program for city workers despite FDA threats against its supplier, CanaRX Services, which is based in Ontario. "We're mad as hell, and we can't afford it anymore," he says. "They can't stop this movement."

Seniors are 'not happy'

For drugmakers, the risk is not simply the loss of money through Canadian sales. Imports remain a tiny share of the overall U.S. drug market, which is expected to exceed $200 billion this year. More threatening is the potential collapse of a price structure that allows drugmakers to charge as much as possible in the USA while complying with government price controls in other countries.

"The price structure is unsustainable," says Alan Sager, director of the health reform program at Boston University's School of Public Health. "By hugging high prices in a death-grip, the drugmakers increase public

anger and thereby become the main force for legislative action to simply cut prices."

Congress has gotten the message. An unusual coalition of liberal Democrats and conservative Republicans has formed around legislation that would make it legal for residents and U.S. pharmacies to purchase prescription drugs from Canada and two dozen other nations. It passed the House July 25, when 87 Republicans deserted their party's leaders and joined 155 Democrats.

The issue faces an uncertain future in the Senate. But the right-left coalition is creating new pressures on drugmakers, the White House and Republicans, just as Congress rushes to wrap up for the year.

The president and his party's leaders say part of the solution lies in their plan to overhaul Medicare. It would reduce drug costs for most seniors by creating a limited prescription drug benefit for the first time. Different versions have passed the House and Senate but remain deadlocked in a conference committee that is working against an Oct. 17 deadline imposed by Republican leaders.

In political terms, President Bush and the GOP, which have received tens of millions of dollars in campaign contributions from the pharmaceutical industry, find themselves heading toward an election year defending drugmakers' pricing practices that charge Americans the highest prices in the world.

"Seniors have figured out what the pricing strategy is," says Rep. Gil Gutknecht, R-Minn., a sponsor of legislation to legalize imports, "and they're not happy."

Bus trips and Internet sales

Americans 65 and older are the largest consumers of health care. Many take multiple medicines that consume a large share of their fixed incomes. But traditional Medicare offers no drug benefit, and more than one in four Americans 65 and older have no coverage through other sources, such as a former employer, a Medicare-sponsored HMO plan or the veterans health system. As a result, seniors are a big market for Canadian sellers:

• Mary Music of Strongsville, Ohio, says her 11 medications for cholesterol, high blood pressure and heart problems cost her $900 for a three-month supply from Canada. Buying them at home, she says, would cost more than $3,000. Since her first bus trip to Canada, the 80-year-old has been ordering her drugs by phone from the same pharmacy. "I just think it's a shame that we have to cross the border to get them," she says.

• Lois Gazvoda of Canonsburg, Pa., went to Toronto for drugs out of desperation when she found herself without health insurance at age 62 and suffering from diabetes, high blood pressure and heart ailments. She paid $248 for a three-month supply of drugs in Canada that cost her more than $1,000 at her local pharmacy. "That's a real savings," she says.

• Barbara Flowers, a Medina, Ohio, retiree who helped organize bus trips to Toronto, recalls that on their first trip an older man wept when he got his prescription filled. He had been doing without medicine so his wife could afford hers.

"The bottom line to this whole thing is you have ordinary God-fearing people who live in the U.S. who cannot afford their medicine," says Mike Hunter, whose pharmacy in Windsor, Ontario, sees U.S. customers cross the bridge from Detroit every day in search of less expensive drugs.

Farther west, sales to the USA over the Internet have become a big business. Troszok, vice president of the Canadian International Pharmacy Association, says the boom has transformed little-developed Manitoba province into the hub of the Internet drug industry. With provincial government approval, the industry has created more than 3,000 jobs there.

While the buses still roll, hundreds of thousands of Americans who lack drug insurance are taking advantage of Canada's government-regulated prices without leaving home. They're using the Internet, faxes, phones and mail to fill prescriptions.

If that's too complicated for some, entrepreneurs have opened scores of storefront businesses across the USA. They come with unmistakable names such as "Discount Meds from Canada," a storefront north of the nation's
capital in Maryland. They place customers’ orders with Canadian druggists and pocket a small commission.

The Gaithersburg, Md., storefront has been operating for six months from a suburban medical and professional building. Pamela Carter, the wife of the owner, says most customers want bargain prices without traveling to Canada and are leery of ordering over the Internet. She says many are not retirees but working people who lack drug coverage.

'We are enforcing the law'

While acknowledging they cannot stop the importation of cheaper drugs, the FDA and Justice Department have begun efforts to crack down on cross-border drug sales and an Oklahoma-based chain of storefront sellers. A federal judge in Tulsa will convene a hearing Wednesday on a Department of Justice lawsuit seeking to shut down Rx Depot, a chain of 85 storefronts in 26 states that acts as a liaison for consumers buying medicines from Canada.

"We are enforcing the law," McClellan says. "FDA's job is to assure drug safety in the United States, and unapproved, imported drugs are illegal because FDA does not have the resources under current law to assure their safety."

The pharmaceutical industry has begun to retaliate, too. U.S. drugmakers have curtailed sales to certain big Canadian sellers and have threatened to limit supplies to others. "Every relevant agency from the FDA to the DEA (Drug Enforcement Administration) has sharply criticized imported medicines as unsafe," says Jeff Trehwitt, spokesman for the Pharmaceutical Research and Manufacturers of America, the trade group of name-brand drugmakers.

U.S. pharmacies, understandably, don't like to see business move to their Canadian counterparts. Craig Fuller, CEO of the National Association of Chain Drug Stores and a former aide to President Reagan and Vice President Bush, calls for more government enforcement to stop imports. "We have laws on the books, and those laws ought to be enforced," Fuller says.

Sen. Rick Santorum, R-Pa., who opposes the drug trade, says importation threatens to undercut drugmakers' profits that pay for research on future breakthroughs. "People love to beat up on this industry," he says.

McClellan, an economist and doctor who was an aide to Bush before moving from the White House to the FDA, agrees drug prices are too high in the USA. He says a Medicare prescription drug benefit is one solution; another is for other nations to agree to higher drug prices. "They do have an obligation to share the cost of developing new medication," he says.

Critics, however, say profits — not safety or research — are at stake. Drugmakers enjoy a tax break for research and development and spend lavishly on advertising and lobbying. "They cannot tell you a single case they've discovered of anybody getting ill" from Canadian drugs, says Rep. Rahm Emanuel, D-Ill.

The drug industry is one of the most powerful lobbies in Washington. It employs hundreds of lobbyists, more than one for every member of Congress, to fight any threat on Capitol Hill. One of them is Tony Feather, who was political director of the Bush-Cheney campaign in 2000.

Drugmakers give money to both parties, but Republicans receive by far the most. In 2002 election campaigns, the industry gave $22 million to Republican candidates — three-fourths of all its political contributions, according to the Center for Responsive Politics. In 2000, Bush was its top recipient, collecting nearly $500,000. The top four drug companies — Pfizer, Bristol-Myers Squibb, GlaxoSmithKline and Eli Lilly & Co. — each gave 80% or more of their donations to Republicans that year.

Opposing price controls in the United States is an overriding concern for the drugmakers. "We don't want somebody else's failed, government-mandated, price-fixing schemes being brought into this country," Trehwitt says.

But the savings available from Canada are so great — 85% less than U.S. prices on some drugs, such as the breast-cancer treatment Tamoxifen — that they are impossible to ignore. An overwhelming 71% of Americans in a recent USA TODAY/CNN/Gallup Poll supported legalizing prescription drug sales from Canada.
President Clinton signed such a bill in 2000, but it contained a loophole requiring the nation's health and human services secretary to certify the safety of imports before they would be permitted. Neither Clinton's secretary nor President Bush's, Tommy Thompson, has made that certification. The House bill passed in July would drop that requirement and permit sales not just to citizens but to drug stores, too.

It was the one bill that could bring together lawmakers such as Reps. Dan Burton, R-Calif., a conservative who relentlessly pursued investigations of Clinton, and Bernie Sanders, I-Vt., a socialist who led some of the first bus trips to Canada in the late 1990s.

Burton cites his wife's unsuccessful battle with breast cancer and the high prices American women pay for cancer treatments. He accuses the FDA of acting "in lockstep with the pharmaceutical industry" to protect prices and profits. "They are allowing the theft, this robbery, to go on," he charges.

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