



Lower Prescription Drug Costs Don't Tell the Whole Story

AIMS president speaks to California audience concerned about the cross-border prescription drug trade

Can the problem of high prescription drug costs in the United States be solved by purchasing drugs on the Internet or with a bus trip across the Canadian border? That was the question posed during an event sponsored by the Pacific Research Institute (PRI) early in February in Pasadena, California.

The PRI invited Brian Lee Crowley, president of the Atlantic Institute for Market Studies (AIMS), to address these and other important issues surrounding the prescription drug debate. Among those who attended the event was Former California Governor Pete Wilson.



Pete Wilson

AIMS has published a number of research papers and reports on health care, including the award-winning *Definitely NOT the Romanow Report*, and recent papers on pharmaceutical policy, which is becoming an increasingly important part of the ongoing debate about health policy in Canada and around the globe.

"To import Canadian drug prices, you must import our standard of living, our poor access to drugs and our anaemic biopharma R&D industry. I'll leave it to you to decide if that would be a good deal for Americans," Crowley told the California audience.

The debate in California was triggered by the position of the state's politicians who support the cross-border trade in prescription drugs. It would appear that consumers strongly agree, and the Internet has become the Mall of America for prescription drugs. Sales from Canadian pharmacies over the Internet exploded from \$50 million in 2000 to \$800 million in 2003.



Sally C. Pipes

"We are deeply concerned about the quest of American politicians to import prescription drugs from Canada," said Sally C. Pipes, president of PRI. "The San Francisco supervisors seek to reduce drug prices by imposing the price controls of other nations on us. Such importation will create higher prices and scarcity in Canada, and in America it will quash research and development for promising new therapies, degrading overall health care in the long term," she said.

Pipes is a Canadian living in the United States and is the author of *Miracle Cure: How to Solve America's Health-Care Crisis and Why Canada Isn't the Answer*. She is often called on to speak at the national and state level on key health-care issues facing America. Over the past year she has participated in prominent debates and public forums, testified before five committees in the California legislature, appeared on popular television

programs, participated in talk radio shows nationwide, and written several dozen opinion pieces on the issue of drug importation.

The U.S. Department of Health and Human Services recently released a task force report on drug importation which concludes that legalizing importation would provide negligible savings, pose serious risks to public health, have a damaging impact on future R&D, and lead to price controls in America.

"If you want Canadian pharmaceutical prices in the United States, the steps that you must follow are clear: 1) you must cut your standard of living by 20-30% (to match Canada's); 2) you must reform America's ludicrous product liability laws (because Americans in effect pay a "tort tax" on their prescription drugs that Canadians do not have to pay); 3) you must squeeze pharmaceutical industry profits through price controls and dominant purchaser policies, thus causing lower levels of pharmaceutical investment and innovation, getting cheaper prices for medicines already discovered, but at the cost of prolonged pain and suffering for victims of diseases we cannot yet cure or control; and 4) you must restrict patient access to the latest and best medicines in order to keep costs low," Crowley explained to the PRI seminar.

"Re-importation of drugs from Canada back into the US isn't just a bad idea — it is an idea that a moment's thought reveals cannot work," he explained. "Re-importation will either raise Canadian prices to American levels by destroying the price differentials justified by very different economic and legal circumstances in the two countries, *or* it will create shortages for Canadians, as Americans try to supply themselves with drugs from a prescription drug market one-twentieth the size of their own, *or* some combination of the two. Neither outcome is one that the Government of Canada can or should tolerate, nor is it easy to see how American consumers would be made better off by such outcomes."

"Drug re-importation on a large scale means everybody loses or, at the very least, nobody wins," Crowley concluded.



Brian Lee Crowley