

BORDER WARS: PRESCRIPTION DRUGS FROM CANADA
Little hinders imports: Canada sees few shortages, price hikes

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TORONTO -- Don't expect Canada to turn off the spigot of cheap prescription drugs flowing into the United States anytime soon.

Despite concerns voiced by Canadian pharmacists and multinational pharmaceutical companies, the fast-growing cross-border prescription drug trade has yet to affect Canadians buying medicines for themselves - either through higher prices or medication shortages, according to recent interviews with government and private health-industry officials in Toronto and Ottawa.

There also has been little change in how much the multinational drug makers spend on research and development in Canada, and no sign those same pharmaceutical giants are delaying introducing new medicines at home.

Without proof that Canadians are being hurt by Canadian pharmacies selling drugs to U.S. citizens, the Canadian government has shown no interest in intervening in a booming business that is regulated separately by each of Canada's 10 provinces.

In the U.S., however, the controversy about importing medicines from Canada has divided Congress, split the two presidential candidates and pitted U.S. cities and states against the federal government.

It has also led to efforts in Florida - a lucrative market for the Canadian pharmacies because of the senior population - to try to rein in unregulated storefronts that sell the drugs.

The debate extends to Canada.

Canadian critics of the "technically illegal" drug trade have tried to spread fears that Canada will face prescription shortages and persuaded the country's main malpractice insurer to stop covering doctors who participate in the business.

They have also prodded some Canadian provinces such as British Columbia to penalize pharmacists for illegally filling U.S. prescriptions without first seeing the patients.

About 120 "international" pharmacies in Canada sell medicines to U.S. residents - many of them in South Florida - through the mail and use the Internet to complete the transactions.

So far, most of these pharmacies have been able to survive and grow even as major U.S. drug makers have moved aggressively to cut them off for selling to the U.S.

These blacklisted businesses have continued operating by getting medicines from smaller Canadian pharmacies and from other countries, including Great Britain and New Zealand.

By most estimates, between \$1 billion and \$2 billion of prescription drugs will flow from Canada into the U.S. this year. Still, that's less than 1 percent of the drugs sold in the U.S.

The prices of brand-name prescriptions are often 30 percent to 50 percent less in Canada because the government puts price controls on the medicines.

The U.S. Congress has twice passed laws allowing for drug imports, but only if the Health and Human Services secretary certifies their safety.

Neither Democratic nor Republican administrations have been willing to take that step.

Although importing medicines is generally illegal, U.S. federal regulators have been reluctant to enforce the law for consumers buying prescriptions from Canada for personal use.

That has left a gaping hole for many local and state governments trying to bring relief to their seniors from high drug prices:

- * In August, Boston began purchasing drugs from Canada for employees and retirees.

- * Wisconsin and Minnesota have set up Web sites that make it easier for employees to buy drugs from Canada; Illinois is looking to do it, too.

- * Last month, Vermont sued the U.S. Food and Drug Administration after the agency denied the state's request to import drugs from Canada.

In the four months since the U.S. government introduced discount drug cards for Medicare recipients, Canada's international pharmacies have seen sales grow, said David MacKay, executive director of the Canadian International Pharmacy Association, which represents 40 Canadian pharmacies that sell to the U.S.

Seniors found the Medicare discount cards too confusing or concluded the price break paled in comparison to Canadian drug prices, he said.

While Americans in Northern states have taken bus trips to Canada for years to buy cheap medicines, sales skyrocketed during the past four years because of the Internet.

Sales also surged as the Canadian companies opened or contracted with storefronts in the U.S. that target seniors wary of using the Internet or wanting more personal service.

Florida has about 100 such storefronts - including at least 10 in Palm Beach County and the Treasure Coast.

Florida health officials in June issued cease-and-desist orders against 12 storefronts statewide, saying they were acting as unlicensed pharmacies. But most have continued to operate unimpeded.

Also in June, Florida became the first state to require all Internet pharmacies from Canada and elsewhere to register with the state.

MacKay said states such as Florida have the authority to regulate storefronts selling prescriptions but no control over pharmacies in other countries.

"Florida is trying to regulate us out of business," he said.

None of his pharmacy members will abide by the new Florida law, he predicted.

"Storefronts were a big factor in the increased sales," said Jeff Poston, executive director of the Canadian Pharmacists Association.

His pharmacy group has lobbied both the Canadian and U.S. governments to stop cross-border sales, saying the system would hurt American buyers because it lacked consumer protections and Canadians who would face shortages of drugs and pharmacists.

"We are trying to get our federal government to take this as a serious challenge to our health system," Poston said.

Without any shortages linked to the cross-border sales, the Canadian government has left the issue to the provinces.

That in turn has left the power with pro-trade provinces such as Manitoba, which has promoted the cross-border pharmacies as a way to spur economic growth in the relatively poor region.

Indeed, about half the cross-border pharmacies are in Manitoba.

Licensing boards that regulate doctors and pharmacists in Manitoba have been hesitant to take any action against those involved in prescription sales to the U.S.

"It's difficult to shut down something that the provincial government supports," Poston said.

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Editor's note: Phil Galewitz was awarded a 2004 Kaiser Family Foundation Media Fellowship to study and report on the uninsured. These stories are based on interviews and research conducted on a recent Kaiser fellows visit to Canada. The foundation is an independent national philanthropic group focused on public health and health policy.

Buying Canadian drugs

Tips to make sure you don't get ripped off when buying prescription drugs from Canada via mail order or the Internet:

- * Buy only from pharmacies that require you to have a valid prescription that you or your U.S. doctor faxes to the Canadian company.
- * Ask for the company's pharmacy license number and the Canadian province it is licensed in. Call the provincial licensing board to verify it. To get the phone numbers for the provincial licensing associations, go to napra.org and click on Pharmacy Licensing Authorities' Links.
- * Make sure the Canadian pharmacy has a bricks-and-mortar address, not just an e-mail address.
- * Deal only with pharmacies that have toll-free numbers for you to call with questions or more information.
- * Deal only with pharmacies that can send you drugs in the sealed manufacturer's container.

Source: Canadian International Pharmacy Association

Health by the numbers

Percent of gross domestic product spent on health care:

U.S. - 14.6 percent

Canada - 9.6 percent

Average per-capita spending on prescription drugs in 2003:

U.S. - \$639

Canada - \$480

Life expectancy at birth:

U.S. - 76.8 years
Canada - 79.4 years

Sources: Organisation for Economic Co-operation and Development; U.S. Centers for Medicare and Medicaid Services; Patented Medicine Prices Review Board in Canada; U.S. Department of Labor Statistics.

Prescription cost increases

Canada wins in holding down retail drug costs. the U.S. spends more on health care but has lower life expectancy than Canada.

Annual increase in national prescription drug costs

%% U.S. Canada

1998	15.2%	10.9%
1999	19.7%	8.4%
2000	16.4%	14.6%
2001	15.9%	12.4%
2002	15.3%	10.0%
2003	*13.3%	10.0%

%% *forecast

Sources: Kaiser Family Foundation, U.S. Centers for Medicare and Medicaid Services and Canada Institute for Health Information

Price comparison

Canadian price controls help keep a lid on wholesale drug prices in Canada compared with the United States. However, drug costs are still rising in Canada with increased use of new, expensive medicines.

Pharmaceutical manufacturer price changes

%% U.S. Canada

1998	10.7%	-0.1%
1999	3.7%	0.2%
2000	2.3%	0.4%
2001	1.7%	0.1%
2002	1.5 %	-1.2%
2003	3.3%	-1.1%

Source: Kaiser Family Foundation, U.S. Centers for Medicare and Medicaid Services and Canada Institute for Health Information

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