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- MEDICARE
- PRESCRIPTION DRUGS**
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- LONG TERM CARE
- YOUR HEALTH
- YOUR MONEY
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- MAKE A DIFFERENCE
- FACE OFF

# PRESCRIPTION DRUGS

## The Rush to Buy Canadian

By Patricia Barry  
May 2004

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To many political observers, the writing on the wall suddenly became much clearer when a conservative Republican senator, Trent Lott of Mississippi, announced he would stop voting against allowing Americans to buy lower-cost prescription drugs from abroad.

"I cannot explain to my mother any longer," he said, "why she should pay twice or two-thirds more than what is paid in Canada or Mexico."

Lott isn't alone in his thinking. States, consumers—and, yes, moms—are pressuring lawmakers to do something to lower drug prices. Plus, it's an election year.

Momentum is rapidly building in Congress not only to legalize the practice of importing drugs—which more than 1 million Americans are already doing by mail order from Canada alone—but to ensure its safety.

At the same time, several drug manufacturers are attempting to halt the cross-border trade by choking off supplies

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to Canadian pharmacies that sell to Americans.

So what's the point of making importation legal and safe if the drug industry has the muscle to prevent it from happening?

One powerful Republican senator has an intriguing answer. Chuck Grassley of Iowa, chairman of the Senate Finance Committee, last month introduced a bill that would reward drugmakers that don't try to stop the trade and penalize the ones that do.

His bill is one of several in the Senate where lawmakers in both parties are focusing on the "safety issue." In the House, others have introduced bills making it illegal for drugmakers to prevent imports from Canada.

But Grassley's carrot-and-stick approach is so far unique. Calling high U.S. drug prices "highway robbery," he told the Senate that the companies "do not want to see their lower-priced products from other countries coming into the U.S. It undermines their profits here, and they will want to do everything they can to stop drug importation."

Grassley proposes that companies trying to stop it "directly or indirectly" would lose the ability to write off advertising expenses. He'd also give drugmakers a 20 percent increase on their tax break for research and development if they don't try to stop importation. "I think that's fair," he said.

The drug industry would not comment on the proposals. Its trade group issued a statement repeating its position that importation would put patients "at risk from fake and unsafe drugs" and, by allowing foreign prices, "stifle the incentives for research and development of the innovative medicines patients need."

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But there is a precedent for Grassley's "carrot." For decades the industry resisted testing drugs to establish safe doses for children. In 1997 Congress passed a law giving companies extended patent rights worth millions of dollars in return for conducting pediatric tests.

Would incentives work for importation? Some experts don't think so. With Canada's population only one-tenth that of the United States, it's no big deal for the industry to sell drugs at the much lower prices required by Canadian law, says Stephen Schondelmeyer, a professor at the University of Minnesota and a national expert on drug pricing.

But if tens of millions of Americans could buy at those prices, "you can bet that every major drug company will press Canada to change its law and raise its prices," he says.

For that reason, several lawmakers are considering measures that would allow Americans to buy from other countries besides Canada. Grassley's bill, too, permits purchases from Europe, Japan, Australia and New Zealand if a two-year trial with Canada works out. All these countries regulate drug prices, many of which are even lower than Canada's.

"It's much harder [for drugmakers] to block supplies from a dozen or more countries than from one," Schondelmeyer says. "And to change the laws and pricing of all those countries would not be easy. So I think [lawmakers] are more likely to achieve their goals with a broader set of countries than if they just limit it to Canada."

### **A BAD DREAM FOR FDA**

If price regulation is the worst nightmare of the drug industry, allowing importation from all over the world is at least a bad dream for the Food and Drug Administration, the federal agency that oversees prescription drugs.

The FDA opposes drug importation, arguing it would open the floodgates to counterfeit, contaminated and other risky medicines. It also argues that at present it has neither the authority nor funding to monitor drugs from abroad. Critics accuse the agency of exaggerating the risks and dragging its feet.

Last year the FDA twice intercepted drug packages arriving from abroad and announced that nearly 90 percent contained "unapproved" drugs. But "unapproved" covered everything from the outright counterfeit to bona fide medicines that carried Canadian labels, an FDA official acknowledged. And it did not chemically test any samples to distinguish the fake from the real thing.

The only person so far known to have made such a test is the Republican governor of New Hampshire, Craig Benson. He recently bought six commonly prescribed drugs from a Canadian Internet pharmacy and from local drugstores and then had a state laboratory chemically analyze both sets.

The study revealed no difference in the active ingredients. But the drugs from Canada had arrived in the original sealed American manufacturers' containers (the local drugs had been repackaged) and cost \$550 less. "Not only are these medications safe and effective," Benson said, "they cost half the price."

Benson's action brought a sharp rebuke from the FDA, which has also opposed attempts by other states to direct consumers to online Canadian pharmacies their governors have had inspected and consider safe.

Most bills coming before Congress, including Grassley's, give the FDA authority to inspect and accredit some Canadian pharmacies and devise a counterfeit-proof system for identifying packages sent by

mail.

An FDA task force is exploring "whether something can be set up to bring drugs into the United States from Canada safely and effectively," says FDA director of pharmacy affairs Tom McGinnis. Results of the study, mandated by Congress under the new Medicare law, are expected later this year. Inspecting Canadian pharmacies is not on the agenda.

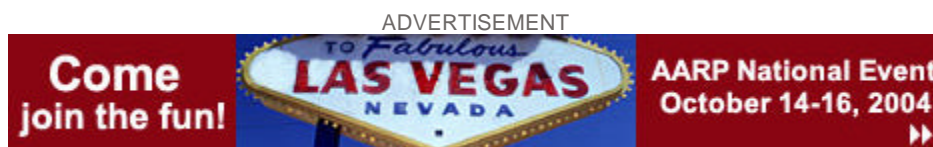
Meanwhile, governors are pursuing lawsuits against Pfizer and other drugmakers that are trying to halt the trade. A multistate grassroots campaign called "Phix Pfizer" has organized a boycott of the company's over-the-counter products.

And the Canadian pharmacies, slowly being starved of supplies, are thinking up creative ways to sidestep the blockade of Canada. Some, seeking alternative pipelines for products, are even setting up additional pharmacies overseas.

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