

Drug Importation: The Realities of Safety and Security

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Testimony

Chairman Enzi and Senator Kennedy thank you for inviting me today.

My name is Peter Rost and I'm a physician who has spent 20 years marketing pharmaceuticals. I've been a responsible for a region in Europe and I'm currently a Vice President at Pfizer. The views I will present are my own and do not reflect those of my employer.

By now, most of you have noted that I don't have an East Coast accent. I'm a naturalized US citizen and I voted with my feet when I came here 20 years ago. I think this is a great country, where we have the freedom of speech—a freedom I'm exercising today.

The first question I usually get is "you're drug executive, how can you speak in favor of reimportation. What has influenced me is my on personal experience with reimportation in Europe while working for another pharmaceutical company. First I assisted the president of Europe; then I headed up the Nordic region. I had lots of reimported drugs coming into my market, and I was not happy about this. So I dropped my own prices. And you know what happened? I doubled sales and increased my company ranking from No. 19 to No. 7 in less than two years. So I know that the free market works and I think the industry is making a historic mistake, opposing drug importation.

My concern is that we have 67 million Americans without insurance for drugs. Many of them don't get the drugs they need because they can't afford them, because drugs cost twice as much in the US as in other countries.

And what really troubles me is that when we in the drug industry charge these high prices to the uninsured, we sell the rest of our drugs, right here in the US, today, at the same low prices we charge in Canada and Europe. It's done through rebates. These are given to those with enough power to negotiate drug prices, such as the Department of Veterans Affairs and various pharmacy benefit mangers.

So the fight against reimportation is a fight to continue to charge our uninsured, our elderly, our poor, our weakest, full price, while giving everyone else a rebate. This is fundamentally unethical. This is not how we're supposed to treat our grandparents who built this country.

Legalized reimportation can help these people. The biggest argument against reimportation is safety. [According to AP, FDA Commissioner] Lester Crawford has said

that his main concern about drug reimportation is that al Qaeda might attack the supply of Canadian drugs.

But the FDA has forgotten that we have thousands of secondary wholesalers that trade drugs. States license them, not the FDA. All it takes for a terrorist to become a drug wholesaler is a \$1,000 and a driver's license, [according to Aaron Graham, head of security for Purdue Pharma, quoted in the Providence Journal]. Another problem, right here in the U.S., is that our drugs are shipped in big vats to wholesalers, and then poured into smaller, bulk-size containers, from which tablets are dispensed manually to the patient. Lots of entry points for a terrorist. In Europe, drugs are sold in tamper-proof individual bottles or blisters, and no one touches a drug after it leaves the manufacturer.

So I believe that getting a drug from Europe is actually safer than getting it in the US. The German Federal Health Ministry has verified that not one single confirmed case of a counterfeit medicine has ever come through the parallel trade chain. The UK regulatory authority has described the level of pharmaceutical counterfeiting as “virtually undetectable” [according to European Association of Euro-Pharmaceutical Companies].

Legalized and regulated reimportation is about a safe drug supply. It's about getting drugs to consumers who can't afford them. The biggest problem we have today is that drugs don't work if you don't take them. The Kaiser Family Foundation reported [in a 2001 study] that 15% of uninsured children and 28% of uninsured adults had gone without prescription medication because of cost. The journal Diabetes Care recently reported [February, 2004] on a study of older adults with diabetes. 28% said they went without food to pay for drugs. Is this how we want to treat our elderly, force them to choose between food and medicines?

[And, by the way, not even the drug companies want to pay for brand name drugs anymore. Novartis, one of the largest foreign drug makers, was so concerned about drug costs that the CEO sent a memo to all US employees urging them to choose more generics. He didn't realize the memo would make front page news [NJ Star-Ledger, Oct 15, 2004].]

[Let's also point out that half of the largest pharmaceutical companies are foreign corporations [Novartis, Glaxo, Astra-Zeneca, Roche and Sanofi-Aventis]. Why should we allow foreigners to come in and gouge American tax payers? Perhaps we shouldn't allow them to charge us more than their own governments are prepared to pay for our drugs? In Europe that's called reference pricing.]

So what do these foreign companies do? They take out big ads in American newspapers [Glaxo] and tell us that reimportation is not safe, while they know full well that it's been done safely and cost-effectively in their own home markets, in Europe, for over twenty years.

I know that some of you may tell me that reimportation is not the answer; the HHS report speculates that savings would represent only 1% to 2% of drug expenditures.

And you know what, the short answer is that if this was true, reimportation of drugs would never have existed in Europe with much smaller price differentials than the US, and it would never take off in the US. Why, then, do you think, the drug industry spends so much time and money fighting reimportation? The answer is that the data in the HHS report don't support this conclusion.

There is one simple flawed assumption in the report that drives their incorrect conclusion. It's that "U.S. drug buyers may get discounts of only 20 percent or less, with the rest of the difference between U.S. and foreign prices going to commercial importers." This assumption is based on a London School of Economics study. Guess who sponsored that study? You got it—the drug industry [Johnson & Johnson, according to Pharma Marketing].

[In fact, table 7.2 in the HHS report shows that U.S. drug prices are 100 percent higher than in Europe. So the premise of less than 20 percent savings assumes price gouging by importers and a complete lack of competition. Of course, we in the industry know that is not how the free market works.]

Every day Americans die because they can't afford life-saving drugs, because we want to protect the profits of foreign corporations. I believe we have to speak out for the people who can't afford drugs, in favor of free trade and against a closed market. Stopping good reimportation bills has a high cost. Not just in money, but in American lives.

I and many of my colleagues joined the drug industry to save lives, not to take them. And that's the reason I've chosen to speak out today.

THANK YOU