How Prescription Importation Expansion Can Improve Price Negotiation and the Cost of Medication in the United States

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What is the problem with the cost of prescription medication?

This policy analysis will focus on the high cost of prescription medication in the United States (US). Many people may be thinking, the US is the wealthiest nation in the world and they have supplies of many prescription medications that other nations would dream of having, why is this a problem? Well the problem in the US is that consumers pay exceptionally high prices for these medications despite few supply side limitations on accessing them. According to a research study on the high cost of prescription medication from 2020, these high prices are rooted in monopolization, high costs of development, pharmaceutical lobbying efforts, and a hesitance to challenge pharmaceutical patents.[1] This issue has solutions though, some long term and others short term. This policy analysis will focus primarily on how importing medication from other nations could ease the cost burden for consumers in the US in the short term. For instance, if the US could import insulin at a lower cost from another nation, the cost of a drug like insulin could be reduced. This could introduce competition for the three main monopolies that control insulin production, which could cause those monopolies to lower their costs.[1]

When looking at the high cost of prescription medication, there are certain populations that are disproportionately impacted by these high costs. A health policy resource in 2024 polled Americans to better understand public opinion on who is affected most by these high costs. They found that the population most concerned about medication affordability were uninsured people over the age of 65 at 43% of them being “very concerned” about being able to afford their medication.[2] Other groups that were very concerned at high levels were black and hispanic adults, with 32% of black adults and 35% of hispanic adults being very concerned about medication affordability.[2] Another important finding of this poll was that adults making under $40,000 a year were more likely than adults with higher income to report difficulty affording medication.[2.]

Although polls can often be deceiving, health outcomes and access to healthcare track with these findings. In fact, a study from 2015 looking at uninsured populations reported that they are less likely to receive timely preventative care, less likely to receive the care recommended for them, and are more likely to be hospitalized for otherwise preventable health

problems.[3(p.10)] For people with the lowest incomes, this study reported that this population faces the greatest risk of being uninsured.[3(p.1)] They specifically report that 27% of non-elderly people under the federal poverty level are uninsured.[3(p.3)] Additionally, for black and hispanic people, they saw higher uninsurance rates than their white counterparts.[3(p.10)] Specifically, at the time of this report, uninsurance rates for hispanic and non-hispanic black people were found to be 21% and 13% respectively, compared to white counterparts who saw a 9% uninsurance rate.[3(p.10)] Also, hispanic people at the time of this report made up 45% of the uninsured population in the US.[3(p.10)]

When returning to the results of the poll from 2024, it is important to highlight that many elderly adults are on medicare, so the uninsured population of elderly people is comparably lower than people under the age of 65. Despite that though, elderly populations are more likely to be taking one or more prescription medications compared to populations under the age of 65, so they tend to report trouble with prescription affordability.

What can be done about this issue?

There are many different solutions to this problem, many of which have broad support across the political spectrum. A commonly proposed solution to the problem of high prescription costs is to have the government negotiate prescription drug prices. This has been generally an effective measure in most countries across the world. Notably, in the 2024 poll mentioned earlier, capping the monthly cost of insulin at $35 was popular across the political spectrum, with the lowest support coming from republicans at 70% support for the policy.[2] Importantly though, lobbying efforts have reduced the ability for these widely popular measures to be implemented.

This policy analysis will turn to a different solution. Namely, importing prescription medication from other nations. We do this pretty frequently with medications being produced in other nations, but we do not necessarily import the medications at the cost they are sold at in those nations. This policy would be a method of dealing with high prescription costs in the US. It is not a permanent measure to address high prescription costs, but through buying and

selling prescription medication in another nation, the US can circumvent some of the unnecessary costs generated in the US.

This legislation was attempted and passed in 2019, but not for all medications. In particular, for public health prevention and treatment, it has been found that Hepatitis-C, AIDS, and birth control medication is not included as medication that can be imported from Canada as of 2019.[4] As mentioned earlier, when costs are high, they disproportionately affect people suffering from poverty, black people, hispanic people, the uninsured, and the elderly.

The law in its current form does notably promote both prevention and treatment. However, the existing legislation only allows importation from Canada for specific treatments. According to KFF, controlled substances, biological products (like insulin), intravenously injected drugs, opiates, among some others are excluded from imports from Canada.[5] Especially for medications like insulin, which for people with type 1 diabetes are not a choice, high costs of these drugs makes involuntary medical conditions a financial burden. This is also a high burden for these populations because insulin does not have a generic (or lower cost) option. It is considered a “biosimilar”, which when compared to generic medications, tends to have more barriers to access for patients in need.[1] Generally when looking at how this promotes prevention and treatment, the primary conversation is surrounding access to these medications.

Another strength of this policy would be that if this policy were expanded beyond its current scope, it could reduce costs and expand access to people who otherwise would not have access. More specifically, this policy could lay the groundwork for further expansion of negotiation with drug companies. Additionally, this would provide opportunities for a bargaining chip in price negotiations, giving an alternative in the event a pharmaceutical company chooses not to provide treatment to US citizens. In other words, if the US imports medication from nations that have lower prices for medications, they will be able to negotiate the prices based on those other countries' prices and not our own, lowering costs and expanding access.

How is this policy playing out?

This issue has been a topic of discussion for about 25 years. Seemingly, the main dispute in this policy is somewhere between state and federal policy.[7] Many states, regardless of political party, have been very interested in implementing and expanding prescription drug importation. According to a KFF report, several states are interested in implementing varying kinds of importation policy reform to lower prescription drug costs, and the Food and Drug Administration (FDA) is slowly allowing states like Florida to import more medications to curb high prescription prices.[7] Within this, there are barriers. For example, Florida in the future will have to submit requests for specific medications being imported. Notably, biological products like insulin will not be an option for importation, as mentioned earlier. The expansion of this policy would be a direct health policy, influencing different methods of care and treatment options for patients. Importantly though, the expansion of this policy would also impact health on a national level, especially for populations that face the most barriers to care. Generally though, as the cost of medication rises, state level medicare and medicaid programs will be consistently pushing the federal government for new policies to lower the cost of prescription medication because of state-level budgetary constraints on medicare and medicaid spending.[7]

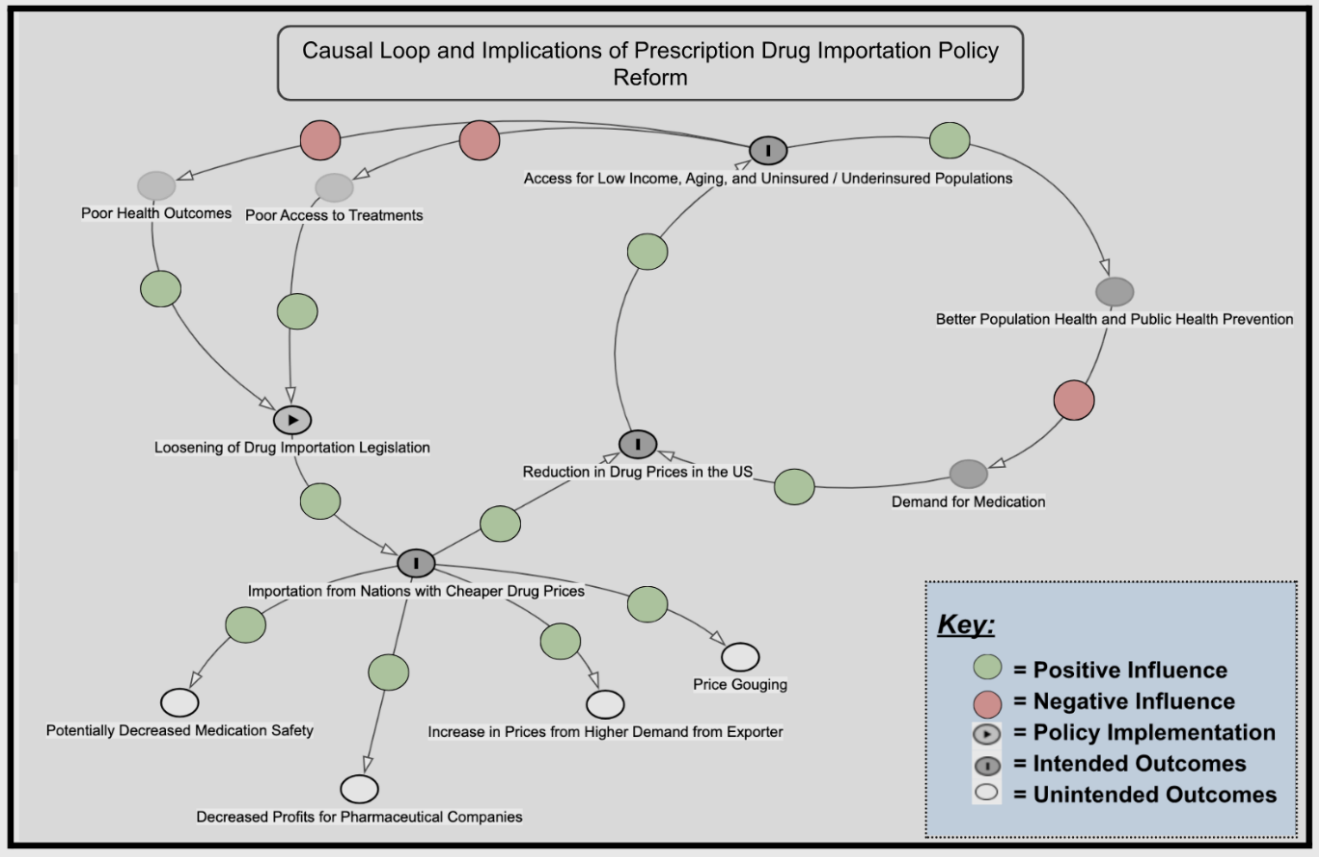
What would be the impact of this policy?

The expansion of the existing policy would help public health and promote health equity by making the costs of drugs used in public health prevention and treatment cheaper, expanding access and availability of medication. As mentioned, if this policy were well thought out and executed properly, a reduction in US prices could be used as a negotiation chip against price gouging pharmaceutical companies for medication like insulin, antiretroviral therapy medication for people with HIV, and several vaccines and other treatments integral to treatment and public health prevention.

An unintended consequence would be that this could raise prices in the nations that the medications are being imported from. This would happen through basic supply and demand, essentially with higher demand in Canada, the prices could increase. An additional barrier that

has been discussed is that prescription storage facilities (many of which are owned by larger pharmaceutical companies) could start price gouging the imported medications, taking advantage of their position in the pharmaceutical supply chain. A common concern with these policies historically have also been that this could reduce drug safety, though most policies surrounding prescription importation account for this through closer monitoring of the medications being imported. A final potential unintended outcome of this policy would be decreased profits from pharmaceutical companies, lowering transactions in the US and decreasing the profitability of preventative medications.

Appendix 1: "Implications of Prescription Drug Importation Policy Reform"



How Differences in Pharmaceutical Importation and Negotiation Help Define The United Kingdom and the United States' Costs of Prescription Drugs

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The history of pharmaceuticals is a fairly recent one. The widespread use of pharmaceutical medications as a therapeutic interventions really became an established component of the United States' (US) medical system in the mid 20th century.[8] Through the 1960's and into the 1980's the pharmaceutical industry, especially in the US expanded rapidly, quickly becoming an integral part of life in the US and the whole world.[8] The US in particular is a significant consumer of prescription drugs, with 45% of residents in the US being found to have taken prescription medication in the past month (in 2016).[8] Because of a combination of policy, industry, and supply and demand, the United States has uniquely high costs for prescription medication. In fact, KFF found that compared to the United Kingdom (UK), the US spends $150 more on out of pocket costs (of drugs) per capita and covers $690 more in costs (of drugs) through private or government insurance programs.[9] Within these differences, UK also has uniquely low out of pocket costs for drugs, with their out of pocket costs being $12 per capita and the US' being $164 per capita.[9] This policy analysis will engage with why these differences exist and what the UK does to have such low costs for patients. Additionally, this research will engage with what tradeoffs the UK might face when getting these low prices and what benefits the United States may gain by having high costs. This analysis will be primarily engaging two main components of prescription policymaking, prescription drug importation and drug price negotiation.

BACKGROUND ON THE UNITED KINGDOM

To best understand discrepancies in cost of pharmaceuticals between the US and the UK, a brief history of prescription medication in both countries needs to be done to contextualize differences in medical and industrial policy decisions. The first and most notable difference between the US and the UK is views on insurance. The UK guarantees all residents of their country a free public health insurance program through the National Health Service (NHS).[10] This system was established post-World War II during a significant wave of social and economic

welfare policies. The specific act, the National Health Service Act of 1946 established this free, single payer system, with some exceptions for visitors and undocumented immigrants. Although health insurance is widely free in the UK, treatment is not necessarily free having some notable exceptions.[10] Still though, treatment is relatively inexpensive. One additional component of their insurance system is that about ~11% of the UK is covered by private health insurance. Private insurance in the UK is primarily supplemental though and is used as a way to gain faster access to care, more specialists, and better access to elective procedures and treatments.[10]

Because the NHS is insuring treatments and care, they have systems built to evaluate if the coverage of a given pharmaceutical is worthwhile given cost of the drug per quality adjusted life year.[10] This is qualified through the National Institute for Health and Care Excellence (NICE).[10] Since the NHS covers treatments under a single payer system, they negotiate prices with pharmaceutical companies through somewhat indirect methods. As mentioned, NICE determines whether a given treatment is worth the cost given the benefit. Because NICE assesses whether a drug will be covered by the NHS, pharmaceutical companies are often pressured to lower their prices to fit in their agreements. The agreement on whether it will be covered is done through the “Voluntary Scheme for Branded Medicines Pricing and Access” or the VPAG.[11] This agreement essentially acts as a budget that pharmaceutical companies can fall within. Essentially, the VPAG is the way the NHS controls spending growth. In the event a company doesn’t fall within the VPAG, they are subject to what's called the “statutory scheme” for branded medicines.[11] Functionally, the statutory scheme is the primary mechanism for the NHS to control prices, so the VPAG is an important way for pharmaceutical companies to reach consumers through the NHS in a more stable way since the agreement lasts 4 years.[11] Through these mechanisms, the UK is able to functionally negotiate and control prices for both the NHS and patients in the UK. In terms of prescription drug importation policy, the UK’s landscape has been somewhat modified after leaving the European Union. Essentially the Medicines and Healthcare products Regulatory Agency (MHRA) regulates parallel importation of medications that are different from the standards used in the UK. Parallel importation in pharmaceuticals is the practice of importing medications at the price point of another nation. To parallel import

medication into the UK you just need to meet the standards set out by the UK government which include having a licence to do so in the UK, a wholesale dealers license, and you need to meet the government's Good Manufacturing Practice standards (GMP).[12] Importantly though, because the NHS is negotiating prices of most pharmaceuticals, they don't import to lower the costs of medications in the same way the United States does.

BACKGROUND ON THE UNITED STATES

Although the UK and the US went through similar social welfare pushes in the post-war period, the United States did not choose to build a free government health insurance program. The US healthcare system has been broadly understood as being more hands-off on private insurance companies, pharmaceutical companies, and most non-governmental medical institutions compared to European counterparts. The US history of pharmaceutical regulations is even more contemporary than the English. The United States has medicare and medicaid instead of an NHS type of program as mentioned. Both insurance programs were originally established as a way to address American citizens that were not insured through the private system, especially the elderly, poor, and the disabled. Among the most notable changes in prescription drug policy in the US was the Medicare Modernization Act of 2003. This act created Medicare Part D as a way to make prescription drugs more affordable for seniors through a prescription drug benefit program.[13] Despite this addition, the act prohibited prescription drug negotiation in its original form.[13] Essentially the act prohibited the Secretary of Health and Human Services from negotiating drug prices, though, the act in addition to the "MEDS" Act gave the Secretary the power to import drugs deemed safe for US public health given certification of safety and cost savings.[13, 14] Importantly though, (to my knowledge and research) no secretary leveraged this power until the Trump administration in 2020 with the Safe Importation Pathway (SIP), granting states the ability to import pharmaceuticals from Canada at or close to the Canadian price point.[14] The most recent action that has redefined US prescription drug policy has been the Inflation Reduction Act of 2022. This act granted medicare the ability to negotiate high cost pharmaceuticals and biosimilars (like insulin) with pharmaceutical companies directly.[15] The Center for Medicare and Medicaid Services has noted that current ongoing negotiations with

pharmaceutical companies will come to a close on January 1st, 2026.[15] The current American political landscape has been consistently changing though, with Trump expanding the role of the executive branch of governance in the United States. Recently, Trump started changing the goals of the Inflation Reduction Act, which many critics say will limit the effectiveness of the Biden era policy, especially for "small molecule drugs".[9] Nonetheless, Trump has generally favored importation over negotiation with pharmaceutical companies.

Overall Winners and Losers of Importation and Negotiation

After engaging with the varying histories and policies across the United States and the United Kingdom, this paper is going to realign to how these two policy options can be instituted, as stand alone policies or together. As mentioned in the previous part, the United Kingdom has very low costs especially compared to the United States and generally, they have a form of both prescription drug negotiation and importation as a means of lowering costs.

Winners of both of these policies would primarily be patients and the government and its spending on prescription medication. Patients would see lower prescription costs due to negotiation of lower prices. In reference to the "small molecule drugs", pushing their negotiation out will not reduce prices.[16] In terms of importation, it would still likely reduce costs, but given global trade, especially between the United States and Canada right now, importing medication may not yield lower costs as expected given the potential for high tariffs on Canada in the coming years. Importation from other nations would require an additional certification from the secretary of health and human services, per the original act.[13,14] In the event these policies continue, they will also likely reduce medicare and medicaid spending. This is especially true for negotiation as many medications like GLP-1's have a tremendous burden on state medicare programs.[17] The Trump administration right now does not seem interested in negotiating the prices of GLP-1's despite their overwhelming burden on state health insurance programs.[16, 17]

Key Opponents (or losers) of prescription drug importation policies and drug price negotiation are primarily pharmaceutical companies. Generally, these companies have made significant

efforts to curb policies aimed at reducing the prices of prescription drugs at the point of sale.[18] The companies have claimed that negotiations would curb pharmaceutical innovation. Drug companies have said this will dissuade them from developing cheaper medications.[18] Reuters notes that four leading drugmakers said that they also "did not expect a significant impact" of the prices negotiated by the government on their businesses.[18] Nonetheless, the companies remain opponents of negotiation as a solution to high costs of prescription drugs. Additional Reuters also reports that leading pharmaceutical companies have suggested a phased approach to Trump's tariffs as a way to more incrementally build drug manufacturing in the states.[19] The importation side of this policy is very uncertain, because recent shifts in global trade have made prescription drug importation into the US potentially less effective due to the risk of tariffs on Canada. There are few opponents today to importing prescription medications from Canada, but depending on the trajectory and price of tariffs on Canada, the consumer may not see the full benefits of the policy. Additionally, Canada may not be as willing to help America with high drug prices depending on the current administration's future strategy.

There are several choices for the US in the foreseeable future when addressing the high costs of prescription medication. The US could favor negotiation in curbing high costs of prescription drugs, importation could be favored, and/or coverage of medications in state medicare and medicaid programs could be cut. All of these policies could happen, and it is probable that negotiation, importation, and cuts will all happen. In the current landscape this seems like the most probable outcome. Generally, cutting services will be unlikely to reduce costs unilaterally, especially for patients. Importantly though, cutting coverage for medications like GLP-1's has reduced the burden of pharmaceutical costs on state medicare and medicaid programs. In any capacity, reducing costs will require some combination of these policies.

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