

## *Halting Drug Resales from Canada*

Pharmaceutical companies price discriminate across countries. The prices of many popular drugs are substantially lower than in the United States in virtually every other country in the world. Zoloft, an antidepressant drug, sells for one-third the U.S. price in Mexico and about half in Luxembourg and Austria. Many well-known brand-name drugs sell in Canada for one-third to one-half the lowest price available in the United States.

These price differences reflect price discrimination by pharmaceutical firms. Sometimes the lower prices in other countries are due to differences in incomes, patent laws, and legal liabilities. However, frequently, regulations in other countries are responsible for the relatively low prices.

U.S. pharmaceutical companies are horrified about the possibility that resales—where drugs they exported from the United States at relatively low prices are reimported—will drive down U.S. prices. In 2003, the U.S. House of Representatives passed a bill to permit imports, but because it has not become law to date, such imports remain illegal. Nonetheless, U.S. senior citizens have taken many well-publicized bus trips across the Canadian and Mexican borders to buy drugs at lower prices; and many Canadian, Mexican, and other Internet sites offer to ship drugs to the United States. According to various estimates, only about 1 percent to 3 percent of U.S. drug expenditures went to imported drugs, but the fraction is growing.

Some drug companies, among them GlaxoSmithKline and Pfizer, are trying to reduce imports by cutting off Canadian pharmacies that ship south of the border. Wyeth and AstraZeneca report that they watch Canadian pharmacies and wholesale customers for spikes in sales volume that could indicate imports, and then restrict supplies.

The drug companies have also pressured the U.S. Food and Drug Administration (FDA) to help prevent imports. To date, the FDA has not enforced restrictions on purchases by individuals. However starting in 2003, the FDA took several steps to reduce imports. The FDA raised the specter that imported drugs were not as safe as those purchased in the United States (although it has provided little evidence to date to support that claim). The agency sent threatening letters to various state attorneys general saying that state agencies that imported Canadian prescription drugs would be violating federal law. It completed a sting operation targeting the supplier of Canadian drugs to the employee insurance program of the City of Springfield, Massachusetts (which reported it could save \$4 to \$9 million a year by ordering drugs through Canada). It took actions to close a chain of Canadian drugstores that ship drugs to the United States (Rx Depot has 85 stores in 26 states and operates other stores in Canada under the name Rx of Canada).

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Sources: Tim Harper, "Canada's Drugs 'Dangerous,'" *Toronto Star*, August 28, 2003:A12; Christopher Rowland, "FDA Sting Targets Medicine Supplier; Springfield Uses Firm to Get Canadian Drugs," *Boston Globe*, August 28, 2003:C1; Tony Pugh, "Canadian Online Pharmacies Struggle to Find Suppliers," *San Diego Union-Tribune*, September 7, 2003:A-3; Gardiner Harris, "U.S. Moves to Halt Import of Drugs from Canada," *New York Times*, September 10, 2003:C2.