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Importing Bad Ideas on Drug Prices

Florida Republicans decide to imitate Vermont Democrat

By The Editorial Board

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One feature of the political moment is that ideas that first appeared on the left (tariffs) are gaining support on the populist right. The latest example is a GOP plan in Florida to import prescription drugs from Canada, which is impractical, unsafe and unlikely to reduce prices at the pharmacy.

The Florida Legislature has been moving on a plan pushed by Republican Governor Ron DeSantis that directs the state health agency to set up a prescription drug importation program. Other states like Colorado are pondering similar schemes, and Vermont is well along in setting one up.

The thinking is that prescription drugs are too expensive, so the U.S. should import them from countries like Canada that impose price controls on medicine. State employees and the Department of Corrections are among the intended beneficiaries. State Medicaid programs already receive 20%-plus discounts on drugs that would be hard to top with importation.

One question is why Canada would allow the U.S. to siphon its drug stocks. Canada's drug supply for 37 million residents isn't brimming with extra products to sell to 21 million Floridians, even on a limited scale.

Keep in mind that U.S. manufacturers sell drugs for Canadians to Canadian wholesalers. Companies are not going to sell Canadians more drugs so the product can be exported to the U.S. via price arbitrage, and such secondary sales can be prohibited in contracts. Canada could also ban such sales lest it risk losing deals on drugs for their own people. Savings may also be elusive. When federal importation was floated in the early 2000s, an FDA analysis found that five of seven of America's best-selling generic drugs for chronic conditions were cheaper than Canadian generics. One product didn't have a generic available in Canada. This analysis is outdated but the basics are still relevant: Nine in 10 prescriptions in the U.S. are generic, versus roughly 70% in Canada, which means the U.S. enjoys much higher savings from generics.

Gov. DeSantis's office points to drugs for hepatitis C, multiple sclerosis, HIV and other conditions with lower per unit prices in Canada. Assuming Canadian outfits furnish these drugs to Floridians, savings would be weighed against costs, and importation would require oversight and enforcement. The Florida plan to its credit is narrow in who it allows to export and import drugs, and doesn't allow importation of, say, controlled substances, among other drug classes.

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The argument that drug importation threatens the integrity of the drug supply is often dismissed because pharmaceutical lobbyists make it. But keeping the drug supply free from contaminated or counterfeit products is not easy, and the World Health Organization has warned that 1 in 10 medical products in the developing world are phony. It isn't clear who is liable if counterfeits are found in Florida, but you can bet it won't be the politicians. Consider a February enforcement letter from the Food and Drug Administration to the Canadian company CanaRx, which FDA said facilitates "the distribution of unapproved new drugs and misbranded drugs to U.S. consumers." (CanaRx disputes FDA's characterizations.) Former FDA Commissioner Scott Gottlieb says that while foreign outfits "may state on their websites that its medicines are coming from Canada, the United Kingdom, Australia, etc., this is not necessarily always the case."

Proponents say the safety problem could be managed with "track and trace" technology that records detailed information about the contents and security of shipments across the supply and sale chain. Yet Congress created this national system in 2013 to strengthen the safety and integrity of the closed U.S. drug supply. Importation defies that purpose.

Health and Human Services has had the authority since 2003 to allow importation, but the secretary must certify the practice would pose "no additional risk" to the public's safety, and "result in a significant reduction" in cost for the "American consumer." These are high bars.

No secretary has ever made such a judgment, and it's hard to see why Florida deserves a special federal blessing. Then again, President Trump has flirted with drug importation, and the risk is he lets a GOP Governor go ahead. The Administration last year set up a working group to consider importation.

Democrats once pushed importation as disguised price controls, but Republicans who understand markets helped to stop it. With Republicans now aping Democrats, this is a dangerous moment for the world's most productive and dynamic market for medicine.

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