

**STATEMENT OF STEPHEN L. GIROUX  
BEFORE THE SENATE COMMITTEE ON COMMERCE, SCIENCE, &  
TRANSPORTATION**

**September 5, 2001**

Mr. Chairman, Members of the Committee

I am Stephen L. Giroux. I am owner of 3 retail community pharmacies, a home medical equipment business and a Hallmark card/gift and old-fashioned soda fountain shop. Our company has about ten million dollars of annual revenue. We are located in upstate Western New York. Middleport Family Health Center, Transit Hill Pharmacy, Rosenkrans Pharmacy, Lockport Home Medical and Thee Barker Store. I am a past president and current member of the board of directors of the Rochester Drug Co-Op, a regional drug wholesaler with about 300 million dollars of annual revenue doing business in New York and Pennsylvania. I am a past president of and board member of the Medina Memorial Health System (hospital) and serve on the on the executive committee of the National Community Pharmacists Association (NCPA), formerly the National Association of Retail Druggists. [See Exhibit A]. I am accompanied today by John M. Rector, Sr. Vice President Government Affairs and General Counsel for NCPA.

I want to thank you for inviting us to testify on these critical consumer and small business issues.

The National Community Pharmacists Association (NCPA) represents more than 25,000 independent pharmacies, where over 75,000 pharmacists dispense more than 50% of the nation's prescription drugs and related services. Independent pharmacists serve 18 million persons daily. NCPA has long been acknowledged as the sole advocate for this vital component of the free enterprise system. For decades have been the only national pharmacy association with universal state association membership, including those of the Committee's members.

Our members function in the market in a variety of forms. They do business as single stores ranging from apothecaries to full line high volume pharmacies; as independent chains (e.g., 100 pharmacies) and as franchisees such as NCPA members involved with the Medicine Shoppes franchise. Whatever the form of business entity, however, independent pharmacists are the decision makers for this wide variety of NCPA member companies.

As owners, managers and employees of independent pharmacies, our members committed to legislative and regulatory initiatives designed to protect the public and provide to them a level playing field and a fair chance to compete. We appreciate the opportunity to assist the Committee in assessing the differences between American and Canadian pharmaceutical prices, how these prices effect the American consumer and means to bring American prices in line with Canadian prices.

In May of 1999, we endorsed the bipartisan International Prescription Drug Parity Act, H.R.1885 by Representatives Marion Berry, Bernard Sanders, and Jo Ann Emerson and S.1191 by Senators Byron Dorgan, Paul Wellstone, Olympia Snowe, and Tim Johnson. [Exhibit B].

We worked closely with Senators Dorgan and Jeffords and their House and Senate allies in support of P.L.106-387, which with the exception of the sunset provision was nearly identical to the language overwhelmingly approved by the U.S. Senate. [Exhibit C].

Our businesses are located about 40 miles from the Canadian border. Never a day goes by that in the course of my practice of pharmacy that I don't have a conversation with a patient or a patients' family member that is concerned with the astronomically high cost of prescription drugs.

At the outset, I must say that we need a Medicare prescription drug benefit for our nations elderly. Not some scam like the Bush cash discount card that gives absolutely no benefit to our seniors by picking PBMs as market favorites creating anti-competitive environment that will severely harm the

small businesses that we represent [Exhibit D]. In any case, we need to get some relief from the high cost of prescription drugs for the elderly and the uninsured.

The drug importation/re-importation law P.L.106-387 provides an excellent free market, safe approach to allow our patients access to safe and lower priced, FDA-approved prescription drugs without bypassing established distribution channels or the professional services of the pharmacist. After all, it's the pharmacist who has a well-established trust relationship with patients. As NCPA's president John Carson observed last May, "We are deeply disappointed that President Bush reconsidered his announced support for the new law and resulting in HHS Secretary Thompson's failure to implement it." [Exhibit E]

The NCPA House of Delegates unanimously approved a resolution on October 18, 2000, calling for the expeditious implementation of the new law. Today, we reiterate our views.

The nations retail pharmacies operate in an extremely competitive marketplace on razor thin margins averaging less than 3%. My drug wholesaler mark-ups are even slimmer. My wholesaler will use alternate vendor suppliers for as little as a 1-2% savings. If we are afforded through the implementation of P.L.106-387 the opportunity to import/reimport safe FDA-approved drugs for a 40-60% savings, we will do it in a heartbeat. Those savings will be shared with our buying group members who will pass along any savings to the patients they serve.

Importation can be achieved safely and cost effectively by our small regional wholesalers and buying groups through existing distribution channels. The large wholesalers and large chains are opposing the implementation of the new law which would provide -not require- any authorized purchaser the opportunity to import FDA approved Rx drugs. Perhaps many of these companies already operate in an international marketplace and do not want to give up their competitive advantage. Obviously the pharmaceutical manufacturers are opposed to any scenario that could alter their present monopolistic opportunity for profits.

We don't bemoan their financial success. As the most profitable industry in the world, we do need them to continue to bring innovative technologies and life improving and even life saving drug products to market - just not at the highest prices in the industrialized world. We are also concerned about encouraging patients to obtain their medications directly through mail order or by personal trips across the border generally neither are legal under current law and importantly bypass the valuable counsel, and services of their trusted pharmacist.

The brand drug manufacturers are creative marketers. For example, the brand name manufacturers have disparaged generic drugs for several years and yet have purchased generic companies, formed generic divisions, and attempted to control that sector. When one brand name drug company executive was asked why they didn't pursue the generic market by lowering prices of a branded product once all of the patents had been exhausted, he said that they would not be able to make sufficient money. The brand name drug industry is unique in that it frequently raises prices when patents expire and their market share is reduced.

In similar vain the brand drug manufacturers have creatively claimed that imported or reimported prescription drugs that they or their parent companies have made threatened the safety of the American consumers. For many years consumers, through mail order, border crossings, and more recently the Internet, have been obtaining FDA approved prescription drugs from other countries, however, it was only when the U.S. House of Representatives and the U.S. Senate (74 to 21) [Exhibit F] authorized imports by wholesalers and pharmacists that drug makers belatedly expressed serious concerns about the safety of imports. [Exhibit G]

Interestingly, the drug manufacturers have been importing prescription drugs at record levels [Exhibit H]. The drug makers are not sharing the benefits of lower global pricing with American Consumers. They are even authorized to import non-FDA approved bulk products and export them as finished unapproved prescription drugs. By not implementing P.L.106-387 the Bush administration is denying American consumers especially the elderly and the un-insured equal access to the benefit of global prescription drug pricing.

It's important to recall that all of the drug makers' customers are not charged the high prices that even the largest retail pharmacies must pay. The drug makers have denied retail pharmacies equal access to economies of scale. The discriminatory pricing practices of the drug makers have been the subject of the extensive litigation and federal and state legislation. . Implementation of P.L.106-387 would provide long overdue relief for pharmacists and consumers in a free market and non-bureaucratic way. For the Committee's review, I have with me today several examples of Canadian prescription drugs obtained from a Canadian pharmacist to show the similarity in quality and price differences for these basically FDA approved pharmaceuticals.

On behalf of the members of the National Community Pharmacists Association, we thank the Committee for the opportunity to participate in the ongoing assessment of the need to provide pharmacists and their consumers equal access to global pricing of safe prescription drugs.