

**Testimony of
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Committee on Commerce, Science & Transportation
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Hearing on
Comparative Pricing Between Canadian and U.S. Prescription Drugs
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Mr. Chairman, and Members of the Committee:

Thank you for inviting me to discuss the issues associated with the pricing of pharmaceuticals for U.S. consumers.

As you are aware today's healthcare market presents many challenges for consumers, purchasers and our political leaders. None is more controversial than that of technology in the form of a "pill". Pharmaceutical spending has almost doubled in less than a decade. More often than ever, our policymakers and physician providers are being queried as to why it is that Americans, particularly the elderly, must pay many times more than their Canadian counterparts for the same drug.

Background on United Health Alliance and MedicineAssist

United Health Alliance is a nonprofit physician health system organization located in Southwestern Vermont. Our partners include a rural hospital, nursing home, home health agency and just over one hundred (100) community physicians. We serve residents of Vermont, New York and Massachusetts. Our mission is to promote a physician-driven organization whose principle services are to provide advocacy and leadership in the areas of care management, contracting, performance improvement and educational programs to maximize value for our membership and customers. Although we have committed to ten (10) guiding principles, none is more important to us than assisting the communities we serve at becoming the healthiest in the nation. Approximately one year ago we found that although admirable, this objective was going to be very difficult to achieve given the circumstances that existed for some of our elderly. Very simply, they did not have access to affordable prescription drugs, therefore they were not able to comply with the treatment plans prescribed by their physicians. Although we had individuals that were seeking affordable medications via bus trips to Canada, we knew that this was not an option for the majority of the elderly in the communities we serve by virtue of their medical condition and/or their limited resources. One of our

physicians came to us and requested our assistance at investigating how we could help a patient of his with breast cancer access her medications from Canada without having to get on a bus. Today that patient takes her medication because she can afford them. It cost her ninety (90) percent less in Canada. We compared the costs for 145 seniors for the first six months to see if what we had heard about the differences in pricing was in fact true. While these individuals would have had to pay just over \$81,000 in the U.S., they paid approximately \$22,000 for their medications in Canada. Our understanding is that there were no substitutions for the medications they were currently on. All medications accessed were for the treatment of chronic diseases such as diabetes, heart disease and cancer. A price comparison of some of the more commonly prescribed medications for the treatment of these diseases has been provided along with this testimony. Although there is minor variation with some pricing in Canada, the savings are still significant and have been reported anywhere from thirty (30%) to (95%) percent. Although the majority of the individuals using MedicineAssist are the elderly on fixed incomes, with no prescription coverage, we are beginning to see individuals that have depleted their pharmacy benefits also attempting to access their medications from Canada. As we have conversations with employers located in the communities we serve about benefits and coverage for their employees we find many are concerned about how to continue the level of coverage they currently provide, particularly with the growth in their expenditures for prescription drugs. The implications are frightening for all of us.

Quality

Clearly as a provider network, our major concern is the ability of patients to comply with a given treatment plan. When a patient cannot afford their medications it is costly for all of us. Are we concerned about quality? Absolutely. And there is a quality issue and exist on this side of the border. When a patient cannot take their medications, they most definitely will consume services elsewhere in our system, such as the emergency room or by being admitted to the hospital. That simply is not rational. This is not about people that won't comply with a treatment plan, this about individuals that can't afford to purchase prescription drugs in the country they live in. Also, let's keep in mind that we are talking about Canada not some third world country. Having said this, these individuals are willing to take the risk to access their medications across the border. Many of them have told us that there is certainly no more risk in doing this than they are at by not taking their medications as prescribed or not at all.

Reasons for Price Differential in Canada and the U.S.

To put it in the simplest of terms: the Canadian government is the purchaser, therefore they have implemented controls over the costs. Next, they do not allow direct-to consumer advertising. My understanding is that this type of marketing is only allowed in the United States and New Zealand. Essentially our major mode of

control is through the approval process by the FDA that essentially controls entry into the market, not pricing. In the U.S. with its non-universal coverage structure, cost containment is undertaken by a myriad of public and private decision-makers, each with their own agenda and objectives. The price differential is of course going to appear even greater when you compare a group that has no coverage and pays out of pocket. They have no purchasing power, because they have no coverage. This is particularly true for about one-third (30 million) of the Medicare population.

I recently visited with health care providers in France and in Canada and they seemed quite perplexed by how we could rationalize the cost/benefit of allowing the prescription drugs to be advertised in the manner that they were on television. Their point was well taken on two fronts: (1) someone has to pay for the costs associated with this advertising and (2) when I proposed that it was intended to educate consumers so that they could be more informed about what was available for their treatment: they asked where's the data to support that this was anything more than "marketing" the drugs the industry wants to sell or promote. They used the example of a drug for chronic indigestion allowing you to continue to eat foods that are clearly not good for you.

Reimportation/Importation from Canada

Clearly, there is no simple answer with regard to the issues we are discussing. Barring any type of regulation of the pharmaceutical industry on this side of the border, personal reimportation from Canada under controlled circumstances can provide an interim solution for those in need of access to affordable prescription drugs. I do believe that with the cooperation of the industry, the FDA, the Canadian regulators and U. S. physicians that under a controlled demonstration project we could achieve a policy that would prove beneficial for all the stakeholders until we can produce a better solution.

Conclusion

Before departing to attend this hearing, I received a call from a physician that requested that I share a recent situation that he was presented with. He had a patient that asked if he [the physician] would help him get his medications from Canada so that he could afford to take them? The physician said he listened as the patient began to explain the differences in pricing for the medication recently prescribed for his high cholesterol. The physician reached into his trash can and retrieved a prescription with a note attached to it. The note had been delivered to him earlier in the day by one of his staff. The note read " Dear Doctor, Thank you for the prescription, but I am returning it to you because I went to the pharmacy to get this filled and when they gave it to me it, I couldn't afford to pay for it. According to the physician this was a diabetic amputee that he had given samples to and had responded extremely well, so he did what came next, wrote a prescription. He had

no idea that this one medication would cost this gentleman on a fixed income over \$140 for a one-month supply. He noted that the man was on other medications as well. As this patient's caregiver, he felt that instead of solving a problem for his patient he had indirectly created one. Not a good feeling to know your patient will not be able to comply with the treatment plan that you prescribed because he or she can't afford it and that you unknowingly contributed to the situation.

His answer to the patient that was now sitting in front of him requesting help with purchasing his medications...you bet.

By the way the medication for the diabetic amputee would have cost approximately \$65 in Canada.

This concludes my prepared remarks. Thank you again for this opportunity and I would be happy to try to address your questions