

**The Council of State Governments (CSG)  
Statement for the Task Force on Drug Importation  
Wednesday, May 5, 2004**

**Presented by Kurt Knickrehm, Director, Arkansas Department of Human Services  
and Vice Chair, CSG Health Task Force**

Surgeon General Carmona and members of the task force, thank you for the opportunity to speak before you today. My name is Kurt Knickrehm. I am the director of the Arkansas Department of Human Services and serve as Vice Chair of the Health Task Force for the Council of State Governments. In speaking to you today, I will try to represent the diverse perspectives of state government officials from all three branches of government across the 50 states and the U.S. territories.

### **At the Intersection of Global Trends**

The Council of State Governments' mission is to prepare states for the future by tracking trends and finding solutions. Globalization is one of the leading trends affecting every level of government, and the market for prescription drugs is not immune from this trend.

We are all here because consumers know drugs are cheaper in other countries. With easy access to online pharmacies, consumers are increasingly taking this route to obtain cheaper medicines. For some of our most vulnerable citizens, this is not just an issue of economics. It is a health issue, too. They either find lower cost drugs across the border or they do without lifesaving medicines.

The Medicare Modernization Act will be a huge step forward in ensuring that fewer of our constituents will have to face this kind of dilemma. Others without access to drug coverage, however, will still try to buy drugs from outside the U.S.

In this regard, it is not enough for the federal government simply to say, "Don't buy prescription drugs from outside the United States." Following this path ignores the forces of globalization and technology that are not going to disappear. It is like the ostrich sticking its head in the sand. The federal government needs to work with the states to educate consumers about the issues and risks involved in pursuing this kind of approach.

### **The High Cost of Health Care is the Fundamental Issue**

There is a wide diversity of opinion in the state government community on the wisdom and feasibility of allowing and supporting drug importation from Canada or other foreign sources. There is near unanimous agreement among states, however, on the underlying issue. Rising health care costs are outpacing than our ability to keep up, and it is threatening states' ability to provide other basic services.

Now, prescription drugs are just one part of this issue, but they are the fastest growing part of health care costs. They represent an increasing portion of our health care dollar, especially in state Medicaid budgets. My agency oversees the Medicaid program in Arkansas. Our prescription drug costs have grown by 15-20% per year. This is simply not sustainable.

Thus, I encourage the President, Secretary Thompson and other leaders at the federal level to support state efforts to control the growth of prescription drug costs. For too long, states have had to work around federal government rules and regulations that hamper market reform efforts. Drug importation is just one example of the many ways states are doing this.

States applaud the recent approval of the first multi-state Medicaid waiver to establish a prescription drug purchasing pool between Michigan, Vermont, New Hampshire, Alaska and Nevada. This is an innovative, market-based approach to dealing with this issue.

### **Everyone Should Pay Their Fair Share**

In pursuing lower drug costs, no one wants to damage the remarkable innovation and new treatments that emerge from the American health care system. Thus, states support the federal government's efforts to get other countries to pay their fair share of the research and development costs for prescription drugs. It is simply not acceptable that the U.S. subsidizes the health of the rest of the world. Let us be realistic, though, that this is a long-term approach and unlikely to address anytime soon the underlying problems with rising health care costs that Americans face.

### **Conclusion**

In closing, my caution to you from my colleagues in state government is this. Be very wary of putting forward any recommendations that will hamper state innovation. Rising health care costs are devastating the financial future of families, seniors *and* state governments. States must have the flexibility to address this critical issue.

Thank you. I am willing to answer any questions from the task force members.