

**Testimony of Benjamin P. Peck
Washington Policy Director, Medicare Rights Center
Before the Department of Health and Human Services' Drug Importation
Task Force**

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Good afternoon, Mr. Chairman, task force members. My name is Benjamin P. Peck and I am the Washington Policy Director of the Medicare Rights Center.

The Medicare Rights Center ("MRC") is the largest independent source of Medicare information and assistance in the United States. Founded in 1989, MRC helps older adults and people with disabilities get good affordable health care. Through national and state telephone hotlines, casework and both professional and public education programs, MRC provides direct assistance to people with Medicare from coast to coast. MRC also gathers data on the health care needs of the elderly and disabled Americans that we serve. We share that data with researchers, policy makers and the media. Just one of MRC's services, its New York State Health Insurance Assistance Program, offers counseling support to one out of every 14 Medicare recipients in the nation. Each year, the Medicare Rights Center receives some 70,000 calls for assistance from people with Medicare. By far, the greatest number of callers are seeking help in finding ways to pay for medicines that their doctors have prescribed.

We counsel people like Vi Quiron, a 76-year-old retired shirt factory worker from Waterville, ME. She suffers from ovarian cancer and a gastrointestinal condition. She lives on a fixed annual income of \$12,000. Because she has no prescription drug coverage, once every few months, Ms. Quiron joins a bus trip to Canada organized by the Maine Council of Senior Citizens. There, she buys her supply of Prilosec, medicine for severe acid reflux. The trip is a healthy social outing, but more important, by going to Canada, Ms. Quiron saves \$2,000 a year on the cost of Prilosec.

The Medicare Rights Center is supported by foundation grants, individual donations and contracts with both the public and private sectors. We are consumer driven and independent. We are not supported by the pharmaceutical industry, drug companies, insurance companies or any other special interest group.

Why Will People Still Need to Go to Canada Despite Passage of the Medicare Modernization Act

Last year, we were hopeful that at long last comprehensive prescription drug coverage would be extended to people with Medicare. As you well know, the legislation Congress passed falls short of the mark – during the next two years of “transitional assistance” and, as presently designed, following implementation of the 2006 “comprehensive” benefit.

The shortcomings of the legislation are particularly evident for those with incomes just above the cutoff for low-income assistance, \$13,965 for an individual, and \$18,735 for a couple. They will be unable to cover the cost of drugs through the \$250 deductible and through the so-called donut hole. The “comprehensive” drug benefit will require a consumer to pay over \$3,000 of their drug costs out of their own pockets. Many people of low and moderate incomes will be unable to do so.

Worse still, because Congress and the Administration seem unwilling to rein in increasing drug costs, the gap in coverage offered by the MMA will become larger in the years ahead. According to the Congressional Budget Office, under the legislation, the amount that people with Medicare must spend before they are entitled to catastrophic protection will increase by 78 percent (\$3600 to \$6400) from 2006 to 2013.¹

For these people, the ability to buy cheaper drugs from foreign countries, such as Canada where brand name drugs sell for 40 percent less than in the United States, is an important option.² Some have argued that even when the MMA offers no coverage for drug costs, it still extends 25 percent discounts off the cost of drugs to people with Medicare.³ Therefore, they say, consumers will have much less of a need to look for lower priced drugs abroad. However, this claim is based on a misunderstanding of CBO’s analysis of the bill.⁴

CBO found that the bill will have a cost savings of 25 percent but this figure does not represent the price reductions private plans are able to negotiate with the drug companies. It is a composite. In addition to savings from private plans negotiating lower prices on drugs, this figure includes “savings” from private plans successfully pushing people with Medicare to not purchase drugs they otherwise would have purchased or accept lower-priced drugs..⁵ The actual discount seniors and people with disabilities will receive on the drugs they take will be less than 25 percent; if a needed drug is not covered by their plan, a consumer will be without both a discount and coverage.

For seniors and people with disabilities with drug costs in the donut hole or whose drugs are not covered by their plan, going to Canada where they can save 40 percent on the drugs they are taking is an important option. Legalizing drug importation would also make it possible for people buying drugs abroad to qualify for catastrophic coverage under the new Medicare law. So long as importation remains illegal, people buying drugs in Canada will never reach the catastrophic cap. They will be forced to choose between getting lower priced drugs in Canada and never qualifying for catastrophic coverage or paying higher prices for their drugs in the U.S so that they can qualify for catastrophic coverage.

Safety of Drug Supply Best Assured by Legalizing Importation of Prescription Drugs

The Medicare Rights Center supports legalization of drug importation not only because it will lead to lower drug prices. We support it because it will improve the safety of the U.S. drug supply. Once importation is legalized, the FDA should take the following steps to assure the safety of imported prescription drugs.

?? **Establish the pedigree of drugs.** A systematic study by a Grand Jury in Florida charged with studying the best way to combat counterfeit drugs recommended improved standards for pedigree papers that would make it possible to trace every bottle of drugs back to the manufacturer.⁶ In Europe, where governments routinely import drugs from other countries, international tracing is already being done.⁷

?? **Introduction of more advanced anti-tampering technology.** The FDA is working with the industry to collect information on existing techniques to ensure proper shipping conditions and the integrity of the drug supply, including the use of tamper evident packaging. Once the FDA has determined what the best practices are for assuring the safety of the drug supply chain, the agency should require that all manufacturers follow these practices..⁸

From our daily work assisting people with Medicare to find affordable drugs, we know that many Americans will go without needed medicines if their Canadian pharmacy is cut off, and they cannot find alternatives. Our experience is that older Americans will not find an affordable alternative. Also, our experience is that consumers have not faced danger in purchasing medicine in Canada. The danger they face, without doubt, is going without the medicines their doctors have prescribed.

We hope that this task force, and the Congress, will consider the large body of evidence concerning the safety of importing medicines from Canada. We do not discount legitimate safety concerns; we also do not discount the substantial political influence the pharmaceutical industry holds with the legislative and executive branches of the United States government. We urge that science, not the political power of special interests, be the decisive factor in allowing the importation of medicine from Canada.

We are not scientists, but we recognize the good work of groups such as the United Health Alliance and the Canadian International Pharmacy Association, which have developed reasonable safeguards to minimize any legitimate safety concern around the importation of medicines. We at the Medicare Rights Center do have a broad expertise in the needs of older and disabled Americans, and we understand the dire straits our clients face. Our work with clients is in the real world, and the consideration by the Congress of the importation of drugs by U.S. citizens must be made in that same real world. Is drug safety absolute? Probably not, be it medicines imported from Canada or medicines mailed from Annie Oakley Drive in Las Vegas, Medco's mailing house. Can reasonable precautions be put in place? Of course..

What we know for sure is that there is direct evidence that citizens of this nation, our parents, our grandparents and our spouses, are going without needed medication because they cannot afford it. And what we know for sure is that more Americans will be able to afford the medicines their doctors have prescribed if they are allowed to purchase drugs imported from Canada.

We know of no evidence of any person suffering negative effects or complications from medicine imported from Canada. But ask any physician in America who treats an elderly population: the damage to our citizens who go without needed medicines is palpable, painful and frequently deadly.

¹ Congressional Budget Office November 20, 2003.

² Patented Medicines Prices Review Board Annual Report 2002, p 23.

³ House Republican Conference "Negotiating Lower Drug Prices for America's Seniors" December 2003.

⁴ Congressional Budget Office Letter to Senator Don Nickles, November 20, 2003..

⁵ Congressional Budget Office, Cost Estimate of H.R. 1 and S. 1 July 2003..

⁶ Mr. Robert Penezic, Assistant Statewide Prosecutor, State of Florida, Testimony before Subcommittee on Oversight and Investigations, Committee on Energy and Commerce, July 24, 2003.

⁷ Ms. Philippa Clare testimony before British Select Committee on Trade and Industry, May 18, 1999

⁸ William K. Hubbard testimony before Subcommittee on Oversight and Investigations, Energy and Commerce Committee, June 24, 2003