STATEMENT

PhRMA
RESEARCH • PROGRESS • HOPE

**In Opposition to Oregon House Bill 2689**

**February 19, 2019**

**Position: The Pharmaceutical Research and Manufacturers of America (PhRMA) strongly opposes OR House Bill 2689 which directs the design and implementation of a state importation program, mischaracterizes importation as a way to lower drug costs, compromises law enforcement's ability to protect the public, and greatly understates threats to patient safety.**

## Oregon cannot guarantee the safety of a state importation program.

No importation program proposal has been able to guarantee consumers will be kept safe from dangerous counterfeit drugs. HB 2689 requires the Oregon Health Authority to design a Canadian importation program that "does not put consumers at a higher health and safety risk than if the program did not exist"; however, the U.S. Department of Health and Human Services (HHS) is charged with making the same certification to Congress before authorizing importation from Canada. **To date, there has not been a single HHS Secretary who has been able to make this certification.** HB 2689 ignores the myriad of voices that have raised concerns, including former Food and Drug Administration Commissioners, about the risks associated with such a program.

## There is no way to verify that imported medicines originated in Canada or to assess their quality and safety.

Canada does not have a national track-and-trace system. Without a national system, companies do not have access to transaction information received from trading partners that would allow them to view all the transactions leading back to the initial manufacturer. Even if a product is being purchased from a legitimate supplier, it is difficult to ensure that the product did not come from an illegitimate supplier farther up the supply chain. Canadian law does not regulate the transshipment of drugs from any country—including those that are known sources of dangerous counterfeit medicines—into Canada and then into the United States, exacerbating concerns about the safety and reliability of these medicines. Further, Canadian government health officials have stated that they cannot guarantee products sold to U.S. citizens are safe and effective. As Diane C. Gorman, Assistant Deputy Minister of Health Canada, stated in 2004, "Health Canada does not assure that products being sold to U.S. citizens are safe, effective, and of high quality, and does not intend to do so in the future."[1] This concern was more recently restated by Leona Aglukkaq, Canada's Health Minister

[1] HHS Task Force Report citing Letter from Diane C. Gorman, Assistant Deputy Minister, Health Canada, to Richard H. Carmona, U.S. Surgeon General, pg. 60-61. June 1, 2004.

from 2008 through 2013, in a letter to the Washington Post. [2]

**Importation legislation jeopardizes law enforcement's ability to protect public health, overburdens law enforcement and other first responders, and could make the opioid crises worse in Oregon.**

In July 2017, the National Sheriffs Association approved a resolution opposing state importation legislation because such programs would "jeopardize law enforcement's ability to protect the public health, threaten the safety of our (US) drug supply, and endanger law enforcement officers, their canines, and other first responders."[3] As former FBI director Louis J. Freeh recently wrote, "the sheer strain that legalized drug importation would have on law enforcement agencies cannot go unappreciated… [W]e've also been faced with resource and budget challenges that force us to do more with less. Rolling the dice on a drug importation law would undoubtedly take resources away from other important law enforcement efforts."[4]

The importation program created by HB 2689 could lead to an increase in counterfeit opioids entering the U.S. disguised as legitimate prescription drugs. Federal regulators and law enforcement agree: importation of prescription drugs poses too great a risk to consumers to justify any potential savings.

**Importation introduces harmful price controls and could threaten drug development and Oregon jobs.**

HB 2689 requires the Oregon Health Authority to impose price controls on imported drugs sold to Oregon residents. Allowing importation to become a back-door mechanism for incorporating policies like price controls from other governments could stifle R&D investments in the discovery of new treatment and cures and threaten biopharmaceutical jobs in Oregon. The Oregon biopharmaceutical industry is responsible for 3,869 direct sector biopharmaceutical jobs and $1.7 billion in direct economic output. After applying the biopharmaceutical industry's significant multiplier effect, it is responsible for 18,574 total jobs and $4.1 billion in total economic output.[5]

**Similar importation attempts have been unsuccessful.**

Previous state and local importation attempts have cost money to implement without a unsuccessful return. Attempts to establish similar programs have ended unsuccessfully. Most recently, the Department of Vermont Health Access recently did an analysis of a similar state importation proposal and determined that "drug importation from Canada would not provide net savings to the state or individuals because Medicaid's existing prescription drug rebate program already yields substantial savings".[6]

**There are better ways for patients to save on prescription drug costs.**

Importation does not save payers money, and there are better ways for patients to save on prescription drug costs. Medicaid already pays among the lowest prices in the market for prescription drugs, which is why

[2] Letter to the Washington Post, Leona Aglukkaq, Former Minister (2008-2013), Health Canada, May 12, 2017.
[3] Drug Enforcement Administration (undated; viewed on July 25, 2017), DEA Warning to Police and Public: Fentanyl Exposure Kills, https://ndews.umd.edu/sites/ndews.umd.edu/files/DEA%20Fentanyl.pdf. Also, Drug Enforcement Administration (July 2016), supra.
[4] Louis J. Freeh op-ed, "Cost of drug importation could unfairly shift to law enforcement," The Philadelphia Inquirer, May 5, 2017.
[5] TEConomy Partners, The Economic Impact of the Biopharmaceutical Industry: Report prepared for PhRMA, October 2017.
[6] Backus, Ena. Vermont Agency of Human Services. "Wholesale Importation Program for Prescription Drugs Legislative Report". December 31, 2018

Congressional Budget Office (CBO) estimates of a nationwide importation program identified total savings to the program at only one-half of one percent. Additionally, programs and practices like the Partnership for Prescription Assistance, value-based contracting, and sharing rebates and discounts with patients at the point of sale are things being done under the current system that have the potential to create real savings and be impactful to patients. Brand pharmaceutical companies only retain an average of 63% of spending on the list price of a drug. The rest of the revenue goes to other members of the pharmaceutical supply chain in the form of rebates and discounts, which totaled more than $150 billion in 2017 alone. Sharing negotiated discounts could save patients a significant amount of money at the pharmacy counter.

**PhRMA strongly opposes HB 2689 for the above stated reasons. Please vote "NO" on HB 2689.**

The Pharmaceutical Research and Manufacturers of America (PhRMA) represents the country's leading innovative biopharmaceutical research companies, which are devoted to discovering and developing medicines that enable patients to live longer, healthier, and more productive lives. Since 2000, PhRMA member companies have invested more than $600 billion in the search for new treatments and cures, including an estimated $71.4 billion in 2017 alone.