

## Policy Brief on Pharmaceutical Drugs

### Wanted: Safe, Affordable Pharmaceutical Drugs

#### Introduction

Prescription medications are an essential part of health care delivery and have contributed to increasing the quality and life expectancy of patients through the treatment of diseases and conditions. Despite their importance in a health care regimen, many Californians – including the elderly, disabled and low-income – face challenges in accessing affordable medications.

Latinos are disproportionately affected by the lack of quality and affordable prescription drugs. Rising costs of pharmaceutical drugs affect both insured and uninsured Latino families. Families that are insured are faced with rising monthly premiums and co-pays as well as growing pharmaceutical drug costs that may or may not be covered by their insurance plan.<sup>1</sup> Uninsured families face more dismal choices, often foregoing the purchase of a necessary prescription drug in order to make ends meet. In fact, a 2002 survey found that 41 percent of adults in fair or poor health failed to fill a prescription in the previous year, and 33 percent failed to ask for a prescription because of its cost.<sup>2</sup>

With California facing a \$6.5 billion to \$8 billion structural deficit, the administration is considering various options to reduce state spending for public health and human service programs. The rising costs of prescription medications have played a role in increasing expenditures for public programs, like Medi-Cal. Engaging in practices that reduce the growing cost of pharmaceutical drugs while maintaining their integrity and safety not only saves lives but also results in government savings.

#### Rising Cost of Pharmaceutical Drugs

Almost 30 percent of Latino children and 40 percent of Latino adults are without regular health care. Further, while Latinos have the highest labor force participation rate of any ethnic group, less than half (43 percent) of all Latino households with an employed worker have employer-based health care. The cost-prohibitive nature of prescription medications has made health out of reach for many Latinos.

In fact, Americans pay more for prescription drugs than any other country. In 2002, the out-of-pocket costs Americans paid for medications rose by \$6.1 billion, which is more than the out-of-pocket costs for doctors, hospitals and nursing homes combined.<sup>3</sup> Thus, it is no surprise that health care costs continue to be the single largest contributor of bankruptcies for many working families.

Testimony at legislative hearings indicates that other than demographic changes, the two main factors driving prescription drug cost increases are price increases and marketing. From 1992 to 2002, pharmaceutical drug prices increased at a rate more than double the rate of inflation.<sup>4</sup> Marketing to prescribers and consumers drives both increased prescription drug use and use of higher-priced medicines.

<sup>1</sup> According to Blue Shield, the average increase in premiums for 2001 was over 13 percent nationwide. Blue Shield (2004). *Health Care Costs: Rising Cost of Health Care*. [www.fepblue.org](http://www.fepblue.org).

<sup>2</sup> Hansel, P. (2004). *Analysis of Senate Bill 1333 (Perata)*. California Senate Health and Human Services Committee.

<sup>3</sup> Gilman, J. (2004). *Analysis of Assembly Bill 1957 (Frommer)*. California Assembly Health Services Committee.

<sup>4</sup> Castellblach, R. (2004). *California's 2004 Legislative Options for Improving Access to and Lowering the Costs of Prescription Drugs*. Testimony During Joint Hearing of the Senate Health and Human Services Committee and the Assembly Human Services Committee.

As such, Americans are increasingly relying on Canadian sources to meet their prescription drug needs. Prescription drugs in Canada cost 40 percent to 70 percent less than in the United States. An estimated one million Americans purchase prescription drugs from Canada, accounting for at least \$1 billion in annual sales.

Such are the savings that a number of state and local entities are currently considering plans to import pharmaceutical drugs from Canadian pharmacies. They include Illinois, Minnesota, and the cities of Boston and San Francisco. In addition, states are investigating and forming purchasing alliances to create intrastate multi-agency and multi-program purchasing pools to negotiate prices, discounts, and rebates with manufacturers.

### **Is it Safe to Import Drugs?**

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According to the Congressional Research Service, a research branch of the United States Congress, "statutory requirements for approving and marketing pharmaceuticals in the US and Canada are quite similar."<sup>5</sup> Both countries' statutes require drugs to be proven safe and effective through clinical studies and manufactured to strict quality standards before they can be approved and distributed for general use. Both the United States and Canada also have analogous requirements for licensing of retail pharmacies and pharmacists. Further, both countries have well-established standards for good manufacturing practices and mandate strict quality controls, testing standards and thorough inspections to ensure safety and efficacy of drugs; have similar laws governing the labeling of prescription and over the counter drugs, and have systems to detect, monitor and prevent counterfeit drugs from entering into commerce.<sup>6</sup>

For many, the concern lies with the degree of licensing and oversight of internet and mail-order pharmacies in Canada and how to ensure that any system in California that acquires drugs from Canada not result in counterfeit, adulterated or mislabeled drugs. To address this issue, the Canadian government has developed an accreditation process by the Internet and Mail Order Pharmacy Accreditation Commission, and through required membership in the Canadian International Pharmacy Association.

Of utmost importance is the safety of American consumers. While the Canadian government has statutory regulations similar to those in the United States, efforts such as those proposed by leadership in the California Assembly and Senate appear to address many of the underlying concerns about importing drugs from Canadian sources.

### **Legislative Efforts to Reduce Rising Costs of Pharmaceutical Drugs**

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California needs to lead efforts to minimize the high costs of prescription drugs that is straining the state's health care system and passing the costs onto consumers. To that end, the Latino Coalition for a Healthy California is supporting the following legislative initiatives which will provide a means for all Californians to access safe and affordable prescription drugs that are purchased in a fair marketplace.

**AB 262 (Chan)** prohibits certain uses of prescription data without physician consent.

**AB 1957 (Frommer)** requires the Board of Pharmacy to establish a website with links to certified Canadian pharmacies so individual Californians can safely purchase drugs. The bill also requires the Department of General Services to determine whether state agencies would save if prescriptions drugs were purchased from Canada.

**AB 1959 (Chu)** requires the State Auditor to conduct an audit of the state's drug rebate practices and to provide recommendations on how the state may receive additional savings when purchasing drugs.

**AB 2326 (Corbett)** requires the creation of evidence-based "prescription drug report cards" for use by individual consumers and other health care purchasers.

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<sup>5</sup> Randall, B. and Vogt, D. (2003), *US and Canadian Regulatory Systems for Distributing Prescription Drugs*. Congressional Research Service.

<sup>6</sup> Hansel, P.

**SB 1149 (Ortiz)** requires the Board of Pharmacy to develop and maintain a website that identifies sources that are unsafe for purchasing pharmaceutical drugs from Canada.

**SB 1170 (Ortiz)** requires the Department of Health Services to establish Maximum Allowable Ingredient Costs lists within a year.

**SB 1333 (Perata)** authorizes Medi-Cal and the AIDS Drug Assistance Program to reimburse pharmacies that purchase pharmaceutical drugs from legitimate Canadian pharmacies.

**SB 1563 (Escutia)** requires wholesalers and manufacturers to offer lower cost drugs to eligible community health centers.

**SJR 24 (Ortiz)** calls upon Congress, the President and the Federal Drug Administration to recognize and address the problems caused by direct-to-consumer advertising of prescription drugs by pharmaceutical companies.

### **Summary**

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Rising pharmaceutical drug costs affect both insured and uninsured Latinos. Because medications are integral to health care delivery and quality of life, the state must take proactive measures to engage in practices that result in the acquisition of safe and affordable drugs.

If you would like more information on the impact of rising pharmaceutical drugs on the Latino community or information on how to become a member of the Latino Coalition for a Healthy California, please contact us at:

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