FREQUENTLY ASKED QUESTIONS ABOUT THE INTERNATIONAL PRESCRIPTION DRUG PARITY ACT S. 1191

Introduced in the Senate by Senator Byron L. Dorgan (D-ND), along with Senators Olympia Snowe (R-ME), Paul Wellstone (D-MN), and Tim Johnson (D-SD)

What does the International Prescription Drug Parity Act do?
The bill would allow U.S. consumers access to lower priced prescription drugs by allowing their pharmacists to import prescription drugs into the United States. These are the same drugs available in the United States, manufactured by the same company, frequently made in the same plant, and sold under the same brand name.

This would address the absurd situation where American consumers are paying substantially higher prices for their prescription drugs than are the citizens of Canada, Mexico, and other countries. The International Prescription Drug Parity Act amends the Federal Food, Drug, and Cosmetic Act to allow American pharmacists and distributors to import prescription drugs into the United States *as long as they are approved by the U.S. Food and Drug Administration and manufactured at FDA-inspected facilities*. Pharmacists and distributors will be able to purchase these drugs at lower prices and then pass the huge savings along to American consumers.

Why is this bill needed?
Under federal law, pharmaceutical companies and individual consumers are the only ones allowed to import drugs approved by the U.S. Food and Drug Administration into this country.

Yet, if an American pharmacist or distributor wants to purchase these FDA-approved drugs at the much-lower prices available in other countries and pass the savings along to their customers, they are prohibited by law from doing so. The irony is that many of these drugs are made in our country and shipped to pharmacists and distributors in other countries for sale at lower prices there, but American pharmacists and distributors cannot reimport these drugs made in the United States back into this country. We need to amend current federal law to allow pharmacists and distributors to buy drugs, which are approved for sale in the United States, from other countries to take advantage of the lower prices available there. This is a common-sense thing to do. It is pro-business, pro-consumer and pro-American.

What is the price difference between prescription drugs sold in the United States and other countries?
A number of studies over the past decade, as well as anecdotal evidence, confirms that there is a significant price difference for drugs between the United States and other countries. For instance, a 1999 review by Senator Dorgan's office of a dozen of the most commonly used prescription drugs revealed that North Dakota consumers pay, on average, 205% more than their Canadian counterparts. Similarly, a study by the National Council of Senior Citizens of the top 10 prescription drugs used by older Americans found that in every instance, U.S. citizens were paying significantly more for the same drugs than Canadian and Mexican consumers. A U.S.

General Accounting Office study in 1991 studied 121 drugs and found that, on average, they cost 32 percent higher than the same products in Canada.

In fact, the following chart shows that the same drug that costs a senior citizen in the United States $1.00 costs seniors in other countries a fraction of that price:

Country	Price
United States	$1.00
Germany	$0.71
Sweden	$0.68
United Kingdom	$0.65
Canada	$0.64
France	$0.57
Italy	$0.51

Who supports the International Prescription Drug Parity Act?
This bill has been endorsed by Families USA, Public Citizen, the National Community Pharmacists Association, and the North Dakota Pharmaceutical Association.

Who opposes the International Prescription Drug Parity Act?
As one would expect, the bill is opposed by the pharmaceutical manufacturing industry.

What are some of the claims the big drug companies make about this legislation?
One claim that the pharmaceutical companies make is that this legislation could cut into the amount they spend on research. However, only about 20 cents of each prescription drug dollar is spent on research and development – about the same as the manufacturers spend on advertising and marketing – and even less (between 5 and 25 cents) is spent on actual production of the drug.

The fact is that profits exceed research costs at the top ten U.S. drug companies. Pharmaceutical companies' after-tax profits averaged 17 percent from 1994 to 1998, compared with 5 percent for all other industries, according to a December, 1999, report from the non-partisan Congressional Research Service (CRS).

In addition, American taxpayers heavily subsidize pharmaceutical research. For instance, in 1996 alone, the pharmaceutical industry was able to reduce its tax liability by $3.8 billion using a variety of tax credits. As a result, according to the CRS, drugmakers pay significantly less in taxes than other industries. The average effective tax rate for pharmaceutical companies was 16.2 percent from 1993 to 1996, compared to the average effective tax rate of 27.3 percent for all other major industries.

Another popular claim of the pharmaceutical industry is that this bill would import other countries' price controls. The International Prescription Drug Parity Act merely extends the benefits of free trade to buyers of prescription drugs. Drug manufacturers already benefit from free trade by buying the ingredients for their products at the lowest prices on the world market, and in fact, many of the ingredients they use can be imported free of tariffs. This bill would