



PUBLIC INTEREST INSTITUTE FACT SHEET

Number 04-05

August 2004

Issue at a Glance – Prescription Drug Reimportation

Iowa's Governor Vilsack has been studying the possibility of "reimporting" prescription drugs from Canada in an attempt to save money on Medicaid and state employee health-care expenses. Drug reimportation is an idea fraught with unintended and harmful consequences. Here's why:

- Prescription drugs in Canada often sell for less than in the United States because of price controls.
- Price controls lead to shortages of the product and less investment in the industry that is subject to the price controls.
- Prescription drug companies have very large research and design costs – it is very expensive to bring a new drug to market. If pharmaceutical companies were forced to charge Canadian prices in the U.S., much of the incentive to create new drugs would dry up.
- Economist Frank Lichtenberg found that an expenditure of \$11,000 on general medical care extends life by an average of one year, while an expenditure of only \$1,345 on prescription drug research yielded the same result.

Forcing drug companies to charge lower prices now will mean that we will all pay higher health-care costs later.

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For more information on this issue, read the following:

"Just Say No to Drug Reimportation"

Institute Brief, November 2003, Volume 10, Number 32

www.limitedgovernment.org/publications/pubs/briefs/pdfs/brf10-32.pdf

"More Drug Reimportation Folly"

Institute Brief, December 2003, Volume 10, Number 36

www.limitedgovernment.org/publications/pubs/briefs/pdfs/brf10-36.pdf

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