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Response to Drug Industry Claims on Prescription Drug Price Differences Between the United States and Other Countries

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Minority Staff
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FACT SHEET

Response to Drug Industry Claims on Prescription Drug Price Differences Between the United States and Other Countries

Congressional reports have shown that seniors without prescription drug coverage must pay substantially more for popular brand-name drugs in the United States than in other countries. The reports find, for example, that the ulcer medication Prilosec, the top-selling prescription drug in United States in 2000, costs twice as much in the United States as in Canada. Celebrex, the popular arthritis drug, sells for over two and a half times as much in the United States as it does in France. The drug industry has attempted to discredit these findings. This fact sheet analyzes the industry's claims.

Industry Claim: Countries with low drug prices face delays in access to prescription drugs.

The Facts: There is no relationship between the prices at which drugs are sold in a given country and the speed at which they are approved and put on the market. In fact, the drug industry has complained that, in spite of having the highest drug prices in the world, introductions of new drugs are delayed in the United States. According to an industry spokesman:

In the two most recent periods, 1990-1994, two-thirds of the products approved by our FDA were approved someplace else first, sometimes in as many as 70 countries. In 1995, the most recent period, again, two-thirds of the products that were approved here in this country were approved someplace else first.¹

Recently, Tufts University researchers compared drug approval times for 30 new products in the United States and in Europe – where drugs are substantially less expensive – and found that approval times for the drugs were “virtually identical.” Other analyses have found similar results. For example, drug prices in the United States are 55% higher than drug prices in the United Kingdom, but approval times in the United Kingdom are 13% faster than in the United

¹Testimony of Fred Lyons, Pharmaceutical Research and Manufacturers Association, before the House Commerce Committee (May 1 and 2, 1996).

States.² Similarly, United States prices are 47% higher than prices in Sweden, but approval times in Sweden are 40% faster.³

Industry Claim: Countries with low drug prices experience reduced research and development of new drugs.

The Facts: There is no direct relationship between drug prices and research and development of new drugs. For example, although the United States has the highest drug prices in the world, more than two thirds of new drugs are developed by companies headquartered outside the United States.⁴ England tightly controls drug prices, yet according to the drug industry’s own figures, significantly more new drugs are developed per capita in the United Kingdom than in the United States.⁵

The drug industry’s own testimony indicates that despite the high drug prices in the United States and the low drug prices in other countries, many drug companies are moving research from the United States to other countries. In 1999, the CEO of Amgen testified before Congress that due to delays in FDA approval, “more and more companies [are] taking products to clinical trials offshore.”⁶

Industry Claim: Canadians have to wait longer for drugs and have fewer drug choices than Americans.

The Facts: There are not meaningful differences in the availability of prescription drugs in the United States and Canada. According to a recent study, drug approval times in Canada were “not significantly different” from approval times in the United States and other countries.⁷

Contrary to its current claims, the drug industry has previously testified that U.S. citizens

²Drug Information Journal, *Drug Review in Canada: A Comparison with Australia, Sweden, the United Kingdom, and the United States*, 32, 1133-1141 (1998).

³*Id.*

⁴Boston Consulting Group, *Ensuring Cost Effective Access to Innovative Pharmaceuticals: Do Market Interventions Work?*, 41 (April 1998).

⁵According to the main drug industry trade group, 14% of new medicines are developed in the United Kingdom. Pharmaceutical Research and Manufacturers of America, *U.S. Is the World Leader in Drug Innovation* (December 1999). On a per capita basis, one drug was developed in the United Kingdom for every 2.8 million residents during the period from 1975 to 1994. In the United States, by comparison, one drug was developed for every 4.0 million residents during the same period.

⁶Testimony of Gordon M. Binder, Chairman and CEO, Amgen, before the House Commerce Committee (May 25, 1999).

⁷Drug Information Journal, *supra* note 2.

sometimes have to go to Canada and other countries to get access to needed drugs. When Congress was debating FDA modernization, for example, industry representatives testified that U.S. citizens had to go to Canada to obtain drugs because the drug approval system is too slow in the United States.⁸

Industry Claim: The price that Canadians pay for cheaper drugs is a health care system that rations care and delays access to treatments.

The Facts: This claim is simply a non sequitur. Whether or not the industry's claims about the Canadian health care system are accurate, there is no evidence linking low drug prices in Canada to the problems in obtaining medical services (such as surgical procedures) alleged by the drug industry.

Industry Claim: The Canadian system is not a good model for the United States because Canadian provinces provide restricted formularies and will only pay for selected drugs for their residents.

The Facts: Although it is true that not all drugs used by the elderly are reimbursed by the Canadian provinces, no outpatient drugs used by Medicare beneficiaries are currently reimbursed in the United States. According to one expert:

When it comes to Canada-U.S. comparisons, Canadians are usually far better off. While it may take a while to get a new drug onto provincial formularies, government drug coverage is never available to many U.S. seniors.⁹

Even if a drug is not eligible for reimbursement by a Canadian health care plan, it can still be purchased at a retail pharmacy by Canadian citizens (or by U.S. citizens who travel to Canada), usually at a substantially lower price than a senior citizen in the United States would pay at a U.S. pharmacy.

⁸Testimony of Fred Lyons, *supra* note 1.

⁹International Journal of Health Services, *The Timeliness of New Drug Approvals in Canada*, 25:1, 169 (1995) (emphasis added).