



# STATE OF MINNESOTA

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Testimony to the Congressional Prescription Drug Access Coalition

The Hon. Tim Pawlenty, Governor of Minnesota

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Boston, Massachusetts

Chairman Burton, Congressman Gutknecht and members of the House Prescription Drug Market Access Coalition, it is an honor to be with you today to discuss the critical issue of prescription drug costs.

During some of our country's darkest days – the Great Depression – President Franklin D. Roosevelt pushed for innovation to cope with crisis. He said, "It is common sense to take a method and try it; if it fails, admit it frankly and try another. But above all, try something."

That's why we're here today; because it's time to try something different in America's prescription drug crisis.

The work of this group in pushing for reform in Washington, DC is exemplary. My administration is committed to helping your efforts. We are trying to be the first state in the nation to demonstrate that purchasing prescription drugs from Canada and perhaps other countries will provide near-term relief to our citizens and keep the pressure on for long-term reform at the national level.

It's appropriate that we're in Boston to discuss these issues today. There's a rebellion brewing across America. It is the prescription drug equivalent of the Boston Tea Party. Americans are fed up. They need and deserve change. Minnesota is willing to help lead the rebellion.

Individuals, families, job providers, and units of government across the nation are facing a health care crisis. Simply put, the cost of health care is rising faster than our ability to keep up. The current rate of cost increase is unsustainable. If we do not find effective ways to address this crisis, it will seriously undermine our economy, our ability to provide health care, and our ability to provide other

quality of life services to our citizens. It is one of the fundamental challenges of our time.

Health care costs are escalating rapidly for a variety of reasons – not just because of the costs of prescription medicines. However, prescription medicines are an increasingly significant contributor to the crisis.

According to the *Washington Post*, between 1994 and 2001, the number of prescriptions issued in the U.S. swelled to 3.1 billion – a nearly 50 percent increase. In the same time period, sales soared from \$61 billion to \$155 billion<sup>1</sup>.

Prescription drugs that are too costly for American consumers to afford do not relieve suffering. They do not prolong life. And they certainly do not reduce health care costs. Far too often, today's drug costs force seniors and others to choose between health and other basic life needs. The high cost of prescription medicines is making working families work even harder to pay rising health insurance premiums and out-of-pocket expenses.

Many Minnesotans – and Americans – do not have access to the medications they need because the costs are simply too high. Seniors are most affected by this problem. As a group, they tend to need more medications. Many live on fixed incomes and have no insurance for prescription drugs. As a result, they have to pay the highest prices in the world for their medications. Despite elected officials of both political parties promising a prescription drug benefit under Medicare, we have had year after year after year of inaction on this very important matter.

Seniors and Americans in general, can no longer afford to pay substantially more for the same medications that citizens in other parts of the world obtain less expensively. We should not have to bear a disproportionate share of the cost for research and development of medicines. We take advantage of globalization and world trade when we buy a car, clothing items, or a DVD. We should do the same for prescription drugs.

For those who say importation of prescription medicine amounts to importation of the price controls and regulatory systems of other countries, I say 'get real'.

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<sup>1</sup> *Washington Post*, "U.S. Prescription Drug System Under Attack"; Gilbert Gaul and Mary Pat Flaherty; October 19, 2003.

Globalization and world trade have caused us to directly and indirectly “import” the laws and public policies of other countries when we import just about anything. For example, as a major slice of our manufacturing economy has migrated to China, and we now import more goods from there, aren’t we “importing” China’s labor practices, environmental policies, human rights positions, and form of government?

## **Minnesota’s Plan**

The Minnesota Plan for Prescription Drugs has a very simple goal – to get a better deal for Minnesotans.

Last month, I directed the Minnesota Department of Human Services to review the feasibility of importing prescription drugs from Canada. As a result of that review, Minnesota will launch several initiatives designed to bring both short-term and long-term relief to prescription drug costs for our citizens.

In order to provide relief as soon as possible, the State of Minnesota will establish a program to facilitate the purchase of prescription drugs from Canada by individuals. Not all prescription drugs will be available. Controlled substances such as narcotics, drugs with special handling requirements such as insulin, and drugs needed immediately such as most antibiotics, are not suitable for mail order shipment.

Our program will consist of the following:

1. **A website to empower all consumers to purchase mail-order prescription drugs for personal use from approved Canadian pharmacies.** A limited number of Canadian pharmacies willing to negotiate with the state to provide discounted prices on maintenance medications will be selected and reviewed by the Minnesota Department of Human Services.

Only pharmacies licensed by a Canadian province will be eligible to participate. Minnesota will establish additional safety standards that will have to be met by participating pharmacies. Agreements will be reached with those pharmacies that will establish the obligation of the pharmacies to honor the negotiated prices and to adhere to high standards of pharmacy practice. By using zip codes, the pharmacies will be able to

determine that a purchaser lives in Minnesota and is eligible for the negotiated price.

A website will be developed that will provide information about the program and allow potential users to download order forms and instructions. It will provide detailed information about the Canadian pharmacies and price lists of medicines available to all Minnesota consumers.

Those individuals wishing to take advantage of the program will need to obtain a prescription from their own physician and send a copy of the prescription, an order form and a medical history questionnaire to the Canadian pharmacy. To comply with Canadian law, the prescription will be reviewed and countersigned by a Canadian physician. Assuming that all is in order, the pharmacy will ship the medication to the patient by mail and in the manufacturer's original, sealed container.

2. **Minnesota state employees will be given the option to voluntarily obtain prescriptions for maintenance medications from the Canadian pharmacies.** As an incentive to participate, co-payments may be reduced or waived entirely. Other ideas to share cost savings with employees may also be explored. In the coming weeks, we'll be working with health plans as well as state employee representatives to find a workable way to do this.
3. **Foreign-made, FDA-approved prescription drugs eligible for importation will be identified by the Department of Human Services and made available to Minnesotans.** The Department will attempt to negotiate a lower price and develop a distribution system to allow purchase by Minnesotans through their local pharmacy or an on-line method.

We recognize these measures are not the ideal or long-term solution. They are, however, designed to provide short-term relief and to cause pressure for long-term reform. Our near-term efforts would benefit greatly from help from Congress and federal officials.

## **Federal Reimportation Policy Reform**

The State of Minnesota will encourage U.S. Secretary of Health and Human Services Tommy G. Thompson and federal officials to eliminate federal barriers to prescription drug importation. I call on Congress to do the same. When it comes to common sense reform, there are few leaders with the track record of reform, innovation and tenacity of Secretary Thompson. That's why I'm hopeful he will work with us on this important issue.

Just like his Clinton Administration predecessor, Secretary Thompson has the authority to promulgate regulations that would allow importation of drugs from Canada. However, no action has been taken.

On an additional federal matter, we should all be greatly concerned by recent threats from the pharmaceutical industry about cutting exports to Canada in retaliation for reimportation to the United States.

We have a complex system of international treaties, trade agreements and federal trade laws designed to protect the patents enjoyed by pharmaceutical companies. It's hard to believe that system would enable them to unilaterally retaliate against another country in this manner by cutting off exports. I know several state Attorneys General are reviewing legal action – and the federal government should as well.

## **Minnesota is Ready to Lead the Way**

We'll also be working with Congressman Gutknecht and the rest of Minnesota's congressional delegation to acquire federal statutory authority to allow the State of Minnesota to import drugs after establishing a reasonable system that provides for the safety of our citizens.

The states are often called the "laboratories of democracy." The message I'm here to communicate to the leaders of Congress is that the State of Minnesota is ready, willing and even eager to lead the way in this important area of reform. All we need is a little freedom and a little flexibility.

What we are seeking from Congress and the U.S. Department of Health and Human Services is permission to proceed – on a pilot project basis if necessary – with the reforms I have outlined.

We can't say that what we want to do today will solve our national prescription drug crisis, and if it doesn't, we'll admit it frankly and try something new. But above all, as President Roosevelt advised, we have to try something.

Thank you very much.