

Cross-Border Sales of Prescription Drugs to the United States

Two years ago, Canadian pharmacies that sell prescription drugs to US consumers via the internet were enjoying a boom in sales. Big-box pharmacies efficiently processed nearly two million US prescriptions a year. Monthly sales of prescription drugs from Canada to the US rose to a peak in 2004 of \$43.5 million. These internet pharmacies were taking advantage of the sharp difference between US and Canadian retail prices for prescription drugs.

In the US, market forces dictate retail prices; whereas in Canada, prices are controlled by the federal government. The difference in price between the two countries for the same product can range from 30 to 80 per cent. The advent of e-commerce via the internet made it possible for Americans to purchase prescription drugs at Canadian prices from anywhere in the 50 states — despite US law that, at the time, with few exceptions, made it illegal to import prescription medications.

Here is how it works: The Canadian pharmacies involved in these cross-border transactions usually require that the consumer fill out a medical-history form and sign over power of attorney to the pharmacist in order to dispense the requested drug. A fax of the US prescription and medical history are reviewed by a Canadian doctor, who then either co-signs the original prescription or issues a new one.

The Canadian Medical Association, provincial and territorial medical-licensing bodies, and the Canadian Medical Protective Association (which provides malpractice and liability coverage for medical professionals) have condemned co-signing American prescriptions. The pharmacy regulatory bodies in Canada and the United States (NAPRA and NAPB) issued a joint statement stressing the importance of compliance with federal, state and provincial regulations in both jurisdictions, as well as strongly promoting face-to-face relationships between pharmacists and patients.

The cross-border trade received high visibility in the US, as American municipal and state legislatures used low Canadian prices as leverage to reduce drug costs in the US. The American pharmaceutical industry has responded by raising manufacturers' prices for commonly prescribed drugs and by restricting shipment to certain Canadian wholesalers who supply the internet pharmacies.

October 2006 Update: Much has changed in the past two years. The rising value of the Canadian dollar has made the exchange rate between currencies much less attractive to Americans. But, more importantly, the US federal government's introduction of the new Medicare Part D that offers incentives to Americans that translate into lower prescription-drug prices. As a result, monthly sales from Canada to the US have declined up to 30% since June 2005. Still, there is enough demand from the US for a consolidated, globalized internet pharmacy sector in Canada that buys its wholesale drugs from off-shore manufacturers.

The Canadian Orthopaedic Foundation believes that one-on-one consultation with a medical professional is necessary to determine the best treatment for patients. The Foundation believes further public debate about cross-border sales of prescription drugs is necessary to clarify public policy and future action on the issue.