

# Surprise! Generic drugs cheaper in U.S.

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WASHINGTON — Mabel Stoltz, at 93, lives independently in her own home in a quiet harbor town on the Minnesota shore of Lake Superior.

But she has to watch her budget and has been buying prescription drugs from Canada.

So she was surprised to learn recently that she could buy her generic-label medications for much less from a U.S. pharmacy — a potential savings of \$560 a year for two prescriptions. “I do have enough money to pay, but I don’t know how long it will last at this rate,” said Stoltz, who once worked as a medical secretary.

Like Stoltz, many U.S. consumers have been buying generic drugs from Canada, not realizing that generics — unlike brand-name medications — are usually quite a bit less expensive at home.

## Wasting \$100 million

U.S. consumers might be wasting \$100 million a year on Canadian generics, said one Canadian analyst, though no firm figures exist on how much Americans are overpaying.

Generic drugs are the therapeutic equivalent of brand-name medications, at about one-quarter of the cost. Generic

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Seniors who bus to Canada for cheaper prescription drugs often mistakenly assume generic drugs are cheaper there, too. One study says they cost 78 percent more than U.S. generics.

versions can be marketed after the patent protection on a brand-name drug expires.

U.S. residents know that brand-name drugs are less expensive in Canada because the government controls prices there. But many don’t realize that Canadian policies have the opposite effect on prices for generic drugs.

“We have a system of government favor-

itism toward generic companies,” said Brett J. Skinner, director of pharmaceutical and health policy research for the Fraser Institute in Toronto. The institute, a public policy organization, advocates free-market policies, including the repeal of price controls on brand-name drugs.

## Canadian prices much higher

Earlier this year, the institute released a study by Skinner of the 100 top-selling generic drugs. It found that Canadian prices were, on average, 78 percent higher than in the United States. The study estimated that Canadians could save \$2 billion

to \$5 billion annually if their generic market were as competitive as it is in the United States. (The study accounted for currency exchange rate differences, and the potential savings are in Canadian dollars.) A smaller study last year for the U.S. Department of Health and Human Services looked at five popular generics and found that U.S. prices were 32 percent lower.

Canadian drug-approval regulations make it difficult for foreign generic competitors to enter the market, Skinner said, and the reimbursement policies of Canada’s provincial governments act to keep prices arti-

ficially high.

“We have very few companies competing for sales — two companies take up nearly 70 percent of the market for the top 100 drugs,” he said. “Canadian taxpayers are helping to support a monopoly situation on the drug-store shelf.” U.S. consumers have a hard enough time following the quirks of health care at home, let alone in Canada. Most apparently assume that if brand-name drugs are a bargain up north, generics are as well.

## ‘Misconception’

“We have a feeling that there is a lot of misconception that everything outside the United States is cheaper,” said Tom McGinnis, director of pharmacy services for the U.S. Food and Drug Administration. Generic drugs are less expensive here because more manufacturers are competing in the market, he said. Shipping charges from Canada also can widen the cost difference.

With the total value of the cross-border pharmaceutical trade estimated at \$700 million a year, such misconceptions can be costly.

Consumers intent on getting their brand-name drugs for less often don’t bother to compare prices of generics, said Sean Kacsir, president of MedSave Discount Pharmacy in New Hope, Minn. “The problem is that people, in general, focus on the brands,” he said. “They don’t pay attention to the generics. Sometimes they don’t focus on the entire picture.”

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