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Pfizer Loses Republican Help in Barring Drug Imports (Update2)

Jan. 26 (Bloomberg) -- Pfizer Inc., Merck & Co. and fellow drugmakers thought Republican congressional majorities and President George W. Bush's re-election created a firewall against legal prescription-drug imports. The wall is starting to crack.

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Eight U.S. representatives and senators, including five Republicans, introduced a bill that would allow Americans to import cheaper drugs from Canada and other countries. Yesterday, Democratic Senator Byron Dorgan of North Dakota and Republican Senator Olympia Snowe of Maine won a promise from Majority Leader Bill Frist for a hearing on their own proposal.

``We have for the first time people in the Senate and in the House who are on the same page," Representative Gil Gutknecht, the Minnesota Republican who wrote the House bill, said today at a press conference at the Capitol in Washington. ``This is a new day in this whole debate."

Lawmakers are responding to pressure from voters and state governors dismayed by U.S. drug prices that are rising 10 percent a year, while governments in Canada and elsewhere keep prices as much as 70 percent lower. Ten governors, including four Republicans, last week wrote to Frist, a Tennessee Republican, urging passage of a drug-importation measure.

``If we don't establish this with good law, Americans are going to revolt," Senator Jim DeMint, a South Carolina Republican who is sponsoring the Senate version of Gutknecht's bill, said at the press conference.

Movement in Congress

Hank McKinnell, chief executive officer of New York-based Pfizer, the world's biggest drugmaker, raised more than \$200,000 to help re-elect Bush, whose campaign opposed legalized drug importation on safety grounds. With all 435 House members and a third of the Senate up for re-election next year, Republican control of Congress and White House may not guarantee the drugmakers a firewall.

``We've gotten some movement in both the House and the Senate," said David Certner, director of federal affairs for the senior-citizens' group AARP, in an interview yesterday. ``There does seem to be a fair amount

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popular support."

Certner said he believes there are majorities in both the House and the Senate that would support a bill that could ever get it to a vote. You have opposition from the White House and the leadership. It still remains a possibility, something that we're going to continue to push."

Dorgan Wins Hearing

While Senate Majority Leader Frist hasn't agreed to allow a vote, he did promise at least a hearing of the bill. In return, Dorgan withdrew his threat to block the confirmation of Michael Leavitt as secretary of the Department of Health and Human Services until a vote on the measure was set.

"We are determined to pass drug importation legislation in the Senate this year," Dorgan and Snowe said in a joint statement yesterday. "It is unfair for the pharmaceutical industry to charge American consumers the highest prices in the world for prescription medicines."

Today, Senators DeMint, David Vitter of Louisiana, Ken Salazar of Colorado and John Thune of South Dakota joined Representatives Gutknecht, Rahm Emanuel of Illinois, Anne Northup of Kentucky and Sherrod Brown of Ohio to roll out drug-import legislation. Vitter, DeMint, Thune, Gutknecht and Northup are Republicans.

Senate Budget Committee Chairman Judd Gregg, a New Hampshire Republican, today said he would introduce his own drug-import bill with four other Republicans: Gordon Smith of Oregon, Norm Coleman of Minnesota and Lisa Murkowski of Alaska. The measure is identical to the one Gregg proposed last year.

Lower Costs

"Brand-name drugs cost 40 to 80 percent less in Canada than in the United States," Gregg said in an e-statement. "As a result, patients are crossing borders and turning to rogue Internet pharmacies in an effort to afford their medicine. But these marketplaces are perilous. It would be irresponsible to ignore the public health consequences of the status quo."

Smith, the chairman of the Senate Committee on Aging, is holding a hearing today on drug importation.

The governors who wrote to Frist urging legalized drug imports included Republicans Jim Douglas of Vermont, John Hoeven of North Dakota, Jon Huntsman Jr. of Utah and Tim Pawlenty of Minnesota, and Democrats John Baldacci of Maine, Rod Blagojevich of Illinois, Jim Doyle of Wisconsin, Brian Schweitzer of Montana, Kathleen Sebelius of Kansas and Thomas Vilsack of Iowa.

Six members of the same group, half of them Republicans, asked Jan. 19 to meet with Canadian Prime Minister Paul Martin on his government's plan to ban cross-border drug sales.

Drugmakers Object

The financial arm of the Texas legislature in Bush's home state found importing medicines might save \$800 million over two years and should be studied, the Houston Chronicle reported.

"Despite a procession of studies showing the flaws of importation, the idea persists," said Jeff Trehwitt, spokesman for the Washington-based Pharmaceutical Research and Manufacturers of America, which represents Pfizer and other drugmakers. "The testimony and the examples have fallen on deaf ears. I don't know what's frustrating."

Americans spent about \$1.4 billion in 2003 to import drugs, half of them from Canada, according to a December report by a Health and Human Services agency task force. A September 20 Harris Interactive poll found that two-thirds of Americans think pharmaceutical costs are "unreasonably high," and eight of every 10 seniors said in an August 10 Harvard University poll supported drug importation.

Possible Counterfeits

Though importation of prescription drugs is illegal, U.S. authorities generally don't pursue purchases of medicines for personal use. The HHS report estimated that examining the 10 million packages imported in 2003 would cost \$3 billion.

Drugmakers argue that allowing large purchases in Canada would open the floodgates to counterfeit medicines.

from other countries. Americans who expect that a drug was made in a factory approved by U.S. drug regulators might end up with a counterfeit, they say.

"Up to one-third of the Internet pharmacies that purport to be Canadian are not," drug industry spokesman Trewhitt said. "Patients are being defrauded and not getting what they paid for."

Congress is already investigating the safety of drugs sold in the U.S. following the Sept. 30 withdrawal of Whitehouse Station, New Jersey-based Merck's Vioxx painkiller. Senate Finance Committee Chairman Charles Grassley, an Iowa Republican, and House Energy and Commerce Committee Chairman Joe Barton, a Texas Republican, last year started probes of the Food and Drug Administration.

In a letter accompanying the task-force report on drug imports, departing HHS Secretary Tommy Thompson Bush advisers might recommend a veto of legislation allowing the cross-border purchases unless they are proved safe. The president has never vetoed a bill.

Bush May Veto Bill

"It will be brought up a lot," said Jennifer Duffy, an analyst at the nonpartisan Cook Political Report in Washington. "There are people who will try to attach that to everything. I can't see Bush signing one."

After considering three importation proposals last year, the Senate failed to follow the House of Representatives which passed a version of the bill that the group of eight senators and representatives is introducing again.

"I believe the president has gotten bad advice," Representative Northup said at the press conference. "I'm very hopeful that now that this coalition is united, the executive branch will reassess their position."

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