

Pharmaceutical Importation : Logical, Legal, Safe

Considerations in Selecting a International Prescription Provider (IPP)

Pharmaceutical costs, especially those for brand name, maintenance drugs, have been a primary driver of health costs and, in turn, health insurance costs, for well over a decade. Interestingly, the costs for these drugs vary widely around the world and are on average 44% higher in the United States than elsewhere. **44%!** Countries with centralized, single-payer health systems are able to negotiate lower prices for drugs than are the myriad of insurance companies in the US. However, the lost revenue from lower prices paid by the single-payer countries is simply shifted to payers in the US. Effectively, the US is subsidizing the research and development ventures of the drug companies more than their single-payer counterparts. Given free markets, this is not a sustainable business model.

As pharmaceutical costs have risen, more and more Americans have begun sourcing their brand name, maintenance medications from countries enjoying the lower price structures. As Americans, we have the right to source legitimate prescriptions, for personal use only, from whatever country we choose. Over the past decade a small industry of importation management companies has evolved.

One of the more interesting developments in this industry applies to self-funded, ASO health plans. Because the FDA stipulates that pharmaceutical importation must be voluntary and for personal consumption only, ASO plans can give employees the option of participating in these plans. The advantages of such an arrangement accrue to both employer and employee:

The employer pays the lowest price available in Tier 1* countries, usually a savings of 35% to 55%.

The employee no longer is responsible for the co-pay. This can be a significant savings for a family with multiple co-pays on brand name maintenance meds.

The remainder of this article will discuss what is involved in implementing one of these plans, including:

- Prospective Accounts
- Products and Pricing
- PIM Company Analysis
- Projected Savings
- Future Implications
- Legal Substantiation
- Conclusion

Prospective Accounts

Only self-funded, ASO (administrative service only) groups are allowed to participate and employees can only participate on a voluntary basis. Fully insured groups are ineligible.

The reason ASO groups are eligible is because they are acting as individuals. That is, with no underlying true insurance on the group and participation only on a voluntary basis participants are legally acting as individuals. This is discussed in more detail within the links under “legal substantiation.”

Generally, group size should be 100+ employees. The older the employee population the better, as older employees consume more maintenance drugs, thus increasing participation.

Employee communication is paramount to the success of the program. Employees need to be assured that the imported drugs are authentic and will be delivered reliably. Most groups experience about 30% participation initially, growing to 60%+ within a few years.

Products and Pricing

The formulary of the IPP is quite important, both what is provided in the formulary as well as what *is not* provided. It is important for employees to have the widest possible range of drugs available that may be prescribed by a doctor. However, it is equally important that the IPP not give employees access to:

1. Narcotics. Scripts such as Valium, etc may be prone to theft.
2. Illegal drugs.
3. Drugs not specifically approved by the FDA for use in the US. Many drugs are approved for use in other countries but not the US. Such drugs may be available for importation but their availability ‘muddies the water’ for both the FDA and the IPP.
4. Immediate needs drugs. If a patient needs antibiotics, they do not want to wait 5 days for delivery. These meds should be sourced through the traditional PBM.

Pricing is at the crux of the matter. Consider the top ten medications shipped by a leading IPP:

	Name	Strength	90-Day Quantity	U.S. PBM Price	PIM Price	% Saved with PIM
1.	Nexium	40mg	84	\$ 402.36	\$183.40	54.4%
2.	Lipitor	20mg	90	\$ 324.90	\$ 178.40	45.1%
3.	Lipitor	10mg	90	\$ 227.70	\$ 140.40	38.3%
4.	Singulair	10mg	84	\$ 278.88	\$ 180.40	35.3%
5.	Lipitor	40mg	90	\$ 324.90	\$ 193.40	40.5%

6.	Advair Diskus 250mcg	180	\$ 540.00	\$ 210.40	61.0%
7.	Spiriva 18mcg	90	\$ 420.30	\$ 227.40	45.9%
8.	Zetia 10mg	100	\$ 286.00	\$ 196.40	31.3%
9.	Plavix 75mg	84	\$ 354.48	\$ 157.40	55.6%
10.	Protonix 40mg	100	\$ 367.00	\$ 75.40	79.5%

These are the *same products*, from the *same manufacturers*, as those available via the traditional PBM. The only difference is with Nexium, whose US advertising firm had the color changed to purple for promotional reasons. In the rest of the world the ‘purple pill’ is pink! Otherwise, they are the exact same drugs.

Company Analysis

There are no long-established players in this market because it is so new. There are a number of firms which have targeted the individual market for over a decade, but the ASO market is just beginning to develop. No doubt, these plans are ‘pushing the envelope’ with the pharmaceutical manufacturers and regulatory bodies, but their objections appear to be negated by various pieces of legislation, points of law and precedent (see ‘Legal Substantiation’).

Look for an IPP’s ability to source meds from the top 4 Tier 1 countries: Canada, United Kingdom, New Zealand and Australia. Prices vary from country to country and you need to provide the lowest possible cost. As noted above, it is not advisable to contract with companies who also provide narcotics via overseas sources, even if these narcotics are legal and legitimate. They are a target of criminals which you need to avoid.

Another critical need is top notch customer service. Although the importation of scripts is legal for personal consumption, occasionally US Customs will intercept a 90 day supply and deem it not for personal consumption since it is for more than 30 days. In this case, the IPP should be willing to overnight a replacement script to the employee. US Customs interceptions occur in less than 1% of shipments but it is a situation which needs to be addressed.

Managerial and financial capacities are important but difficult to determine, again because of this being an ‘infant industry.’ IPP’s which have addressed the individual market have the most experience at sourcing and distributing the meds, but very few have long term experience list-billing the client company and providing superior customer service in the HR arena.

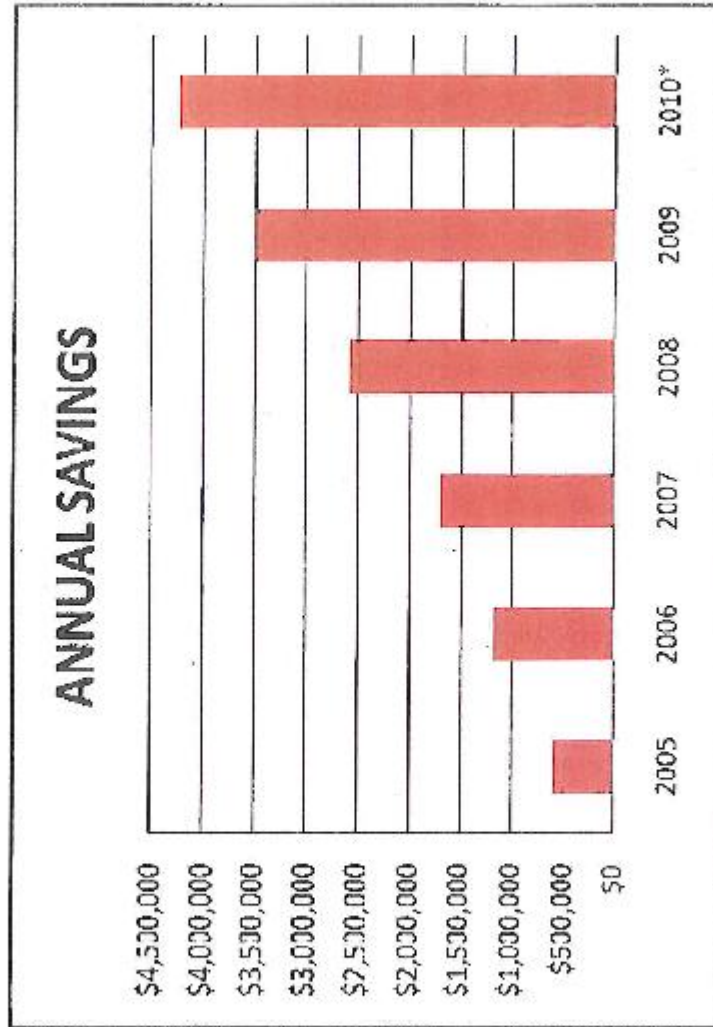
The best bet is to look for a IPP which has been in business the longest, has the widest possible formulary of non-narcotic maintenance meds and the administrative resources to make the program simple and successful.

Projecting Savings

Savings to an employer will depend upon the number of employees, the use of brand name maintenance medications and participation in the program. For example, Schnectady County (NY) projects an *annual savings of \$1.3 million +* for their 2,300

employees in 2010 after 6 years of offering the program, an average savings of \$565 per employee.

Schenectady County Canadian Drug Program
Annual Savings 2005 - 2010*



*Projected Savings for 2010

Muncie (IN) is saving \$586K per year on their 750 employees, an average of \$780 per employee.

How much can any individual employer expect to save? It depends, but [contact me](#) and I will share an Excel spreadsheet which will estimate the savings. A utilization report from the current plan administrator will give the most accurate projections.

Future Implications

This may well be a temporary industry. That is, once a significant amount of meds are purchased overseas, the pharmaceutical manufacturers will adjust prices globally to address the imbalances, rendering IPPs unnecessary. However, for the next several years this is an excellent option to show prospects which other brokers may not even be aware of.

Legal Substantiation

Is this legal? The regulators and legislators have been intentionally vague on the subject. I am not an attorney and will simply use links to give readers an overview of legislation, points of law and precedents. Seniors living in the United States along the Canadian border have sourced their scripts from Canada for years. Brokers and human resource managers should consult their attorneys regarding their individual situations.

Joe Morris is the attorney for a leading PIM. Mr. Morris was Assistant Attorney General under President Reagan and a lead negotiator for the United States with NAFTA, the North American Free Trade Agreement. His opinion is that pharmaceutical importation, on an individual basis and with a legitimate prescription, is protected by NAFTA. The FDA has not disagreed. [Mr. Morris](#), interestingly, has recently served as Hearing Officer in Rham Emmanuel's residency hearing regarding his eligibility to run for mayor of Chicago.

An April 2004 statement by William Hubbard, Associate Commissioner for Policy and Planning for the FDA is [here](#). These statements were prepared for the Senate Committee on Finance, subcommittee on Health Care and International Trade.

The Council of State Governments issued a report, [Prescription Drug Importation](#), in 2004, in response to inquiries from state and local governments.

WebMD researched the subject in an article [The Letter \(and Spirit\) of Drug Import Laws](#).

Conclusion

Pharmaceutical importation can be a powerful tool in the effort to reduce health care costs in self-funded, ASO health plans. Though the legality has been questioned, the regulators and legislators have opted not to pursue the matter and there is a ‘deafening silence’ from the courts on the issue. Until conclusive decisions are handed down from DC, these programs are a terrific way of opening doors to new accounts and allowing employers immediate savings on their pharmaceutical utilization.

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