

Congress of the United States
Washington, DC 20515

March 5, 2004

Dr. Marv Shepherd
Director, Center for Pharmacoeconomic Studies
Drug Dynamics Institute
College of Pharmacy
University of Texas
Austin, Texas 78712-1074

Dear Dr. Shepherd:

As you know, many Americans are seeking cheaper prescription drugs from other countries, most notably Canada, in response to substantially escalating drug costs. The safety, or lack of safety, of some imported pharmaceuticals has been at the center of the debate over legalizing access to foreign prescription drugs. These issues remain a significant concern to us, but so too does the matter of access to affordable prescription drugs. One particularly troubling component of this problem is related to the likely dwindling supply of drugs available to U.S. citizens from Canada and the resulting implications of that potentially dwindling supply.

Currently, the U.S. population has approximately 300 million citizens. In contrast, Canada has only one-tenth that population, or approximately 30 million citizens. As increasingly more Americans, as well as some states, seek ways to import drugs from Canada, it is clear that the "residual" supply of pharmaceuticals from which many Americans are accessing cheaper drugs is limited. Not only are several major U.S. drug firms taking action to limit this supply (by placing various restrictions on their Canadian wholesalers), but increasingly, more Americans are accessing this source as a means to cheaper drugs.

The relationship of increasing American demand to the limited Canadian pharmaceutical supply is not clear at present. Moreover, it remains unclear what measures (if any) the Canadian government may take to limit American's access to this supply (as a means to protect their own needs) or even whether it is taking any steps to ensure that any deficiencies are not offset by dubious black market suppliers. It is hard to imagine how the U.S. market -- which spends in excess of \$200 billion each year for pharmaceuticals -- can continue to be supplied with drugs from a tiny market without major shortages or transshipment from foreign countries occurring.

We understand that you have been working to assemble figures which detail both the size and scope of the Canadian pharmaceutical market. As many legislative proposals are currently contemplating ways to allow for the legalization of purchasing American-made prescription drugs from Canada (that is, drugs that are made in the U.S., sent to Canada, and reimported), we are interested in obtaining any figures you may have which describes the scale of this market. This is particularly important because if such a supply is inherently limited, it is unclear how

Dr. Marv Shepherd

Page 2

such a mechanism would greatly reduce drug prices for U.S. citizens over the long term. Given our concerns in this area and your ongoing work, we would like your assistance in addressing the following:

- How large, roughly, is the Canadian pharmaceutical market and how does it compare to the U.S. market?
2. What percentage of the drugs used in Canada are made in the U.S. (or in a U.S. firm located overseas)? Of this figure, what percentage of these drugs are consumed by Canadians, and thus what percentage are theoretically available for the purposes of reimportation?
 3. To the extent determinable, what is the status of this "residual" supply? Is it approaching exhaustion, or is it already exhausted? If demand in this area ultimately exceeds supply, what are the implications of this situation?

It is our understanding that obtaining these figures is difficult and will require research from a number of sources. Consequently, please provide as much methodology as possible to support any numbers you may be able to provide us in this regard. We would also, if possible, appreciate receiving your information before the drug reimportation debate is renewed.

Your assistance with this important public health debate is greatly appreciated. If you have any questions about this request, please contact us or have your staff contact Chris Knauer, House Committee on Energy and Commerce Democratic staff, at 202-226-3400 or Ray Shepherd, Senate Permanent Subcommittee on Investigations, at 202-224-2224. We look forward to working with you on this.

Sincerely



John D. Dingell
Ranking Member
House Committee on Energy and Commerce



Norm Coleman
Chairman
Senate Permanent Select Committee on
Investigations

cc: The Honorable Joe Barton, Chairman
House Committee on Energy and Commerce

The Honorable Carl Levin, Ranking Member
Senate Permanent Select Committee on Investigations