



The Daily Dish

Does Making Re-Importation Limited Make It Work?

DOUGLAS HOLTZ-EAKIN | JULY 24, 2018

Eakinomics: Does Making Re-Importation Limited Make It Work?

Re-importation of pharmaceuticals to lower drug prices is a perennial favorite of the campaign trail. But re-importation has never been the law of the land for a reason: It won't work. Eakinomics has made this case [again](#) and [again](#). The basic notions are pretty simple. True, the United States has higher drug costs than most other developed nations, but largely because of price controls by foreign governments. This makes it tempting to argue that drugs should be re-imported back to the United States. Under current law this is illegal – largely for safety reasons. But the economics don't add up either. Those drugs are being sold in the quantities and at the prices that they are because the government and the consumers *want* them. Why in the world would they permit large amounts to go back to the United States, which would result in either higher prices or rationed access to the drugs? They would not let it happen, and it will not happen. And from the flip side, why would a U.S. manufacturer export a large amount of drugs that simply got sent back to the United States to undercut U.S. contracts? It would not and it will not.

So I was quite taken aback when Health and Human Services Secretary Alex Azar [announced](#) that he was directing that “FDA Commissioner Scott Gottlieb establish a working group to examine how to safely import prescription drugs from other countries in the event of a dramatic price increase for a drug produced by one manufacturer and not protected by patents or exclusivities.”

Notice that this is much more limited than previous re-importation proposals. It would not apply to those drugs on patent or biologics benefitting from exclusivity. And re-importation would only be triggered by a “dramatic price increase” by the sole manufacturer of the drug. Does that change the basic arguments against re-importation? I don't think so. The basic safety issues are no different. And the notion that another country would willingly

permit the re-export of large quantities of a valued drug still does not appear to be in their self-interest. Count me skeptical.

One might argue that the whole idea is to have a threat available that controls the behavior of manufacturers tempted to jack up prices. But that threat is only credible if it can work.

I may be missing something and look forward to seeing what the working group produces. At least for the moment, re-importation continues to not look like a panacea for drug pricing concerns.