



For now, any West Virginian can walk into Fairmont's Discount Center, can order prescription drugs from Canada. The state wants to shut the storefront down. Here, manager Steve Becker reviews Canadian prices with retired life insurance agent Howard Postlethwaite.



Mary Ellen Nottingham, who does not use the Internet, says the walk-in store has made a dramatic difference in her life. "I can't believe we can get these prices in Fairmont, W.Va."

August 3, 2003

Cancel the discount?

- Fairmont storefront fuels international fracas over Canadian drug prices

By [Kate Long](#)
Staff Writer

FAIRMONT - Mary Ellen Nottingham was running an errand earlier this month when she spotted a photographer taking pictures of Fairmont's Discount Prescription Center. "I thought: Oh no, it's happening." She told her sister-in-law to wait in the car.

"I told myself, if he's trying to put them out of business, maybe I can do something," she said.

She'd seen on television that the West Virginia Board of Pharmacy is trying to shut the place down. She feared the photographer was a state worker, gathering evidence of some sort.

The 5-foot-1 woman didn't calm down until the newspaper photographer explained that he was just taking pictures for a story. "I was ready to make a stand," she said. "I guess he thought I was going to attack him."

Nottingham believes her health is at stake. She orders seven prescriptions from Canada through Discount Pharmacy Center, including Lipitor, Plavix, Glucophage and Tricor. "I'm on 18 different pills a day now," she said. "I'm diabetic, and I've had aorto-bifemoral bypass surgery.

"Medicine keeps me alive," she said. "Medicine, the Lord and these people who run this business."

She buys a three-month supply, the maximum anyone can import at one time. "I'm saving around \$400 a month," she said. "A lot of people might not know what a difference that makes. I can put gas in the car. And I can eat right. When you don't have money, you eat a lot of macaroni and potatoes."

Catching her breath inside the store, Nottingham said that, after 33 years of making a decent living - 28 at Fairmont's Electronic Control Systems - she developed near-fatal heart disease and couldn't work anymore.

"Boom, the paycheck was gone," she said. "It's been rough, to put it mildly."

Now she lives on her pension and Social Security, minus her Medicare B payment. She gets about \$1,200 a month total. "It's gone practically before I get it," she said. Medicare does not cover her prescription drugs. "I'm so thankful this place opened up."

Not everybody is as thankful

In May, the state Board of Pharmacy ordered Discount Prescription Center to shut its doors or face legal action. The pharmacy board contends that the center is a pharmacy without a pharmacist.

Pharmacy boards in at least 19 other states are defending their turf, trying to shut down buy-from-Canada storefronts. Hundreds of these little businesses have sprung up in at least 30 states in the past year. The U.S. Food and Drug Administration is urging state boards to put on the lid on them before they spread further.

In March, the Arkansas pharmacy board sent the nation's first shut-down-or-be-prosecuted letter to one of these new storefronts. Owner Carl Moore told USA Today that he would appeal to the U.S. Supreme Court if necessary. "We believe that we're morally and ethically right," he said. "We're going to fight like a wild animal."

To the dismay of pharmaceutical companies and local pharmacies, Canadian Internet firms have developed a new marketing tool. Each week, busloads of prescription-filling Americans cross the Canadian border. At least a million Americans order by computer. Now Canadians are partnering with American entrepreneurs to attract customers like Nottingham who feel most comfortable in a U.S. store, where someone can help them.

West Virginia University law professor Bob Bastress represents owner Carole Becker and her husband, Steve, who manages the store. He has filed a motion asking the Kanawha Circuit Court to block the state effort to shut the store down. The hearing is scheduled for Oct. 2.

The case is local, Bastress said, but it involves international issues: American access to more affordable drugs and access to foreign markets, pharmaceutical company profits, and senior citizens who can't afford drugs. It may be the nation's first such hearing. Other states, the FDA and

pharmaceutical companies will be following it.

"The pharmaceutical companies have wanted to shut down the Canadian outlets for years," said Kevin Outterson, who teaches health law at WVU. "When people started buying Canadian drugs over the Internet, the companies didn't know how to stop that buying, because it would mean arresting Grandma and Grandpa here in the States. That's not going to happen.

"But older people aren't as adept with computers as younger people are. So these storefront facilitators have developed. Storefronts are a much easier target, politically."

Meanwhile, the Fairmont store - located in a rehabbed gas station - is open for business, right across from Fairmont General Hospital. Like storefronts in other states, it isn't fancy and doesn't require much overhead. American and Canadian flags fly from the building. Signs are modest. One small, tidy room holds some bookshelves, a few chairs and a table with a laptop computer, phone and fax machine.

When Mary Ellen Nottingham first came in, Steve Becker showed her what her prescriptions would cost in Canada. "I couldn't believe I can sit in Fairmont, W.Va., and get prices like that," she said.

She found she could get a month of Lipitor for \$55.50, a month of Plavix for \$69.30 and a month of the generic of Glucophage for \$9.72. It would cost her about twice as much in Fairmont.

Nottingham showed Becker her prescriptions, and he faxed the forms, her medical information and her credit card number to his Manitoba-based partner, discountprescriptionsofcanada .com. A Canadian doctor reviewed Nottingham's form and prescriptions for accuracy and validity, as required by Canadian law, Becker said. The company managers verified her credit card and shipped the drugs to her address.

Critics say this is exactly the problem. There is no pharmacist at the Fairmont store to make sure Nottingham isn't ordering two conflicting medicines, for instance. Nottingham says her doctors - and the Canadian doctor - do that.

She got her medications in the mail at her Fairmont home within two weeks after she ordered them, she said. She didn't pay Becker anything. Discount Prescription Center gets a 10 percent fee from his Canadian partner for every prescription they process. "That's how I make money," he said. There's a processing fee no matter how you order, he said.

The store prices are in the ballpark for Canadian Internet pharmacies: 30 percent to 80 percent lower.

Prices, not patient safety, are the driving force behind all this, said Outterson. "A huge proportion of the industry's global profits depend on maintaining the U.S. prices. If U.S. prices went down to the level of Canadian prices, the pharmaceutical industry would lose tens of millions of dollars."

But health care costs - and therefore health insurance rates - would go down. "Health insurance rates would decrease and stabilize somewhat, which means more small business owners would be able to offer health insurance to their employees," said Sally Richardson, who directs WVU's Institute for Health Care Policy.

Not just a West Virginia story

Steve Becker says he and his wife are fighting the shutdown order on principle. "This is something that changes people's lives," he said. "And I don't believe it's any more illegal than a business that

helps people get packages ready for the post office."

He is not for a drug-ordering free-for-all. He believes the Canadian market is safe, for instance, but the Mexican market is not. "Anybody who trusts the Mexican drug market obviously hasn't been to Mexico," he said.

William Douglass, director of the West Virginia Board of Pharmacy, says he stands on principle, too. He is protecting the public well-being. "We don't want to stop people from finding cheaper sources for their prescription drugs," he said. "We know a lot of people need that. We just don't believe this source is either safe or legal."

"Those kinds of statements really tick off Canadian officials," Becker said.

Bastress contends that the FDA is responding to pressure from the pharmaceutical industry on the Bush administration. The FDA denies it. "Because the medications are not subject to FDA's safety oversight, they could be outdated, contaminated, counterfeit or contain too much or too little of the active ingredient."

"Canada has their own equivalent of the FDA and, if anything, they've got a better record than we do." Becker said, recalling that fake Lipitor recently turned up in the U.S. drug stream, and a Missouri pharmacist was convicted of diluting people's cancer prescriptions.

"I can't speak for how their regulatory bodies are up there. I'm not really familiar with them," Douglass said. "But to have something coming from as far away as across the border of a foreign country allows the criminal element to have more of a success."

"There are no drugs on my clients' premises," Bastress said. "They do not handle drugs, dispense drugs or accept money from people ordering the drugs. They process orders. How can anyone call that a pharmacy?"

Shift in how drugs are bought and sold

Buy-from-Canada storefronts are multiplying fast. Tulsa, Okla.-based RxDepot opened its doors in 2002. By early August, there were 74 RXDepots in 24 states, according to RXDepot President Carl Moore. Florida has about 150 such storefronts, he said.

The Florida pharmacy board has taken no action. Others are ready to pounce. In May, the Kentucky Board of Pharmacy director told the Louisville Courier-Journal that if a storefront opens in Kentucky, "We will proceed fairly quickly with an injunction."

The U.S. Congress appears to be going in the other direction. Both houses have passed bills that would legalize prescription drug-buying from Canada. Those bills are stuck in committee. And politicians are stuck between increasingly angry seniors and a pharmaceutical industry that contributed more than \$20 million to congressional campaigns in 2002.

The FDA warns that Canadian Internet pharmacies don't have enough drugs to supply the United States, so counterfeits are inevitable. If we get the orders, we'll get the drugs, Canadian pharmacies say.

No, you won't, the pharmaceutical companies say. Three of the world's largest pharmaceutical companies - Pfizer, AstraZeneca, and GlaxoSmithKline - are trying to cut the Canadian pharmacies off at the pass. They have announced they will cut off supplies to Canadian Internet pharmacies that

buy drugs at wholesale prices, then resell them to Americans at Canadian prices. Canadian wholesalers are planning end runs.

"There are antitrust issues here," said WVU's Outterman. "You can't tell people who they can sell to."

Canadians have a lot of money at stake, too. Like West Virginia, the province of Manitoba is economically stressed. The Canadian Internet pharmacy business is centered there. "Suddenly, they have access to millions of customers," Outterman observed.

Earle Turow, chairman of Discount Drugs of Canada, told Newsday he expects his organization to clear \$100 million next year. He thinks the Internet industry should be internationally regulated, not shut down, he said.

"We're doing good work for the seniors," Turow said. "We're running a straight business. If they try to shut us down, they're going to be confronted with a major uprising from the seniors."

"If you look at this logically," said Carl Moore of RXDepot, "do you think, with that World Wide Web, that these people are going to be able to hold 400 million people hostage with prices that are two and three times as high as anywhere else in the world?"

"You've got the big pharmacy companies scared to death," he said, "because for the first time in their life, they're having to face free enterprise in this country."

Desperation ignites 'a genuine consumer revolt'

In Fairmont, Howard Postlethwaite plopped down for the first time on one of Discount Prescription's folding chairs. "How're your legal troubles coming?" he asked Steve Becker, as if the two were old buddies.

At age 70, Postlewaite is diligently investigating drug prices. The retired life insurance agent has decided he and his wife can no longer afford their Medigap insurance. He is trying to find ways they can afford their medicine.

"I'm a radical when it comes to pharmaceutical companies," he said. "Every time I go to pick up some medicine for me and my wife, the price's gone up." He has figured out that it will cost him more to keep the insurance than to shop around and buy from other countries.

Postlethwaite has systematically researched the subject on the Internet. "The pharmaceutical companies have over 600 lobbyists registered in D.C., and they give millions a year to politicians," he said, so he doesn't believe Congress will actually pass anything that gives Medicare prescription drug coverage.

"It's all for the campaign," he said. "After that's over, they'll forget about it."

He is determined to get those low prices. "I have to," he said. "If they manage to shut the whole thing down, my wife and I will be driving up to Canada every three months."

Earlier this month, a Washington Post editorial called the American consumer's increasingly defiant determination to buy from Canada "a genuine consumer revolt."

An Internet search turned up at least 26 stories about the FDA effort to shut down the storefronts. The stories come from many states: Delaware, Indiana, Florida, Arkansas and Montana, among others.

s In Michigan, 50-year-old customer Diane Jones told The Washington Times that "I have to work an extra job so that I could pay for my pills. I have no idea why our government wants to force us to buy these drugs from Canada. But that's what we will do."

s In Indiana, Laura Everbach told the Courier-Journal that "I don't know how they [FDA] think poor people - you know, on Social Security and fixed incomes - can do it," she said. "As long as I can get it that much cheaper, I'm going to."

s Florida customer Anne Hinson told the USA Today that "My mother has flat refused to buy her heart medicine [at American prices] because it costs more than she gets in a month."

Earlier this summer, the city of Springfield, Mass., announced that it will buy prescription drugs through Canada for its employees and retirees, saving the city \$4 million to \$9 million a year.

The FDA commissioner asked Springfield's mayor to reconsider, for the safety of his city's citizens. The mayor said he has bought his son's diabetes medication from Canada for years and has heard of no safety problems with the Canadian supply.

Are prescription drugs a utility?

Given consumers' determination to get low prices, all this legal action could paradoxically make the market less safe for consumers, said law professor Outterson.

"If they shut down Canadian outlets that can be regulated, they will be sending American customers to highly unregulated outlets that truly might be dangerous." Thailand, Brazil and India all ship large quantities of much-less-regulated drugs worldwide, for instance.

Outterson suggests that, if West Virginia wants to find a creative solution, it might make more sense to explore ways to let state pharmacists buy prescription drugs through Canada, then perhaps tack on a processing charge.

"The political atmosphere is right for something like this," he said, "and I think a legal way could be found to do it.

"That would probably set up a furious battle between the state of West Virginia and the pharmaceutical companies and the federal government. But wouldn't that be a glorious fight? The state and the citizens could save tens of millions of dollars a year in drug costs. I think at the end of the day, West Virginia would win."

The pharmaceutical companies sued when Maine announced it was going to use its Medicaid clout to demand lower prices, and the Supreme Court ruled in Maine's favor earlier this year, he noted.

In Fairmont, Steve Becker is philosophical. The U.S. Senate has passed a bill that would let U.S. pharmacies import Canadian drugs.

If Congress were to pass it, he'd probably be out of business. If that happens, he said, he would be happy for his customers and go back to selling health foods and vitamins, "and other things that keep them from needing drugs in the first place."

Whatever happens, he predicts, U.S. pharmaceutical drugs will eventually be regulated as a utility. "Americans won't tolerate these prices much longer, he said.

"The pharmaceutical companies have worked very hard over the past 40 years to convince the American people that we can't do without their products and services. And the American people have bought it. The vast majority now believe that they can't make it without these pharmaceuticals." he said. "Any kind of moral judgment aside, we have to begin to consider that pharmaceutical companies are utilities."

West Virginians average 15 prescriptions a year, 4 more than the national average, according to Blue Cross Blue Shield of America.

"We have traditionally regarded utilities as those goods and services that society cannot do without," Becker said.

"That goes right to the heart of the pharmaceutical company's argument that this is a free market. The necessity of those goods to our society far outweighs the business's wish to do as it pleases.

"We are totally dependent on pharmaceuticals," he said. "Seems to me, that makes them a utility."

A lot must happen to get from here to reasonable regulation, he said. He and his wife will play their small parts in this international drama by going to court in October.

To contact staff writer Kate Long, use e-mail or call 348-1798.

U.S. vs. Canada: 30-day prescriptions

One reason for high American health insurance premiums

Difference Drug (patent prices)	Treatment of	Charleston price*		Canadian price**		
		patent	generic	patent	generic	
Aciphex 20 mg	Stomach acid	\$164.10	**	\$66.60	**	60 percent less
Zantac 150 mg	Stomach disorders	69.40	\$26.20	39.30	\$12.90	44 percent less
Lopressor 50 mg	Blood pressure	43.80	9.90	9.30	8.40	79 percent less
Lasix 40 mg	Blood pressure	21.00	10.80	13.50	4.80	46 percent less
Glucophage 500 mg	Diabetes mellitus	27.00	24.00	8.70	6.30	68 percent less
Plavix 75 mg	Heart attack, strokes	135.00	***	73.50	***	46 percent less
Lopid 600 mg	High cholesterol	77.10	42.90	27.90	21.00	64 percent less
Zoloft 100 mg	Depression	90.00	***	34.65	29.40****	62 percent less
Lipitor 40 mg	High cholesterol	114.00	***	58.80	***	49 percent less
Nexium 20 mg	Heartburn	132.90	***	70.20	***	48 percent less
Zocor 40 mg	High cholesterol	138.90	***	70.20	***	50 percent less
Celebrex 100 mg	Arthritis	56.10	***	19.50	***	66 percent less
Zyprexa 5 mg	Schizophrenia	204.00	***	93.90	***	54 percent less
Paxil 20 mg	Depression	93.00	***	48.00	***	49 percent less

* The price for an uninsured customer at Charleston Rite Aid on 8/8/03.

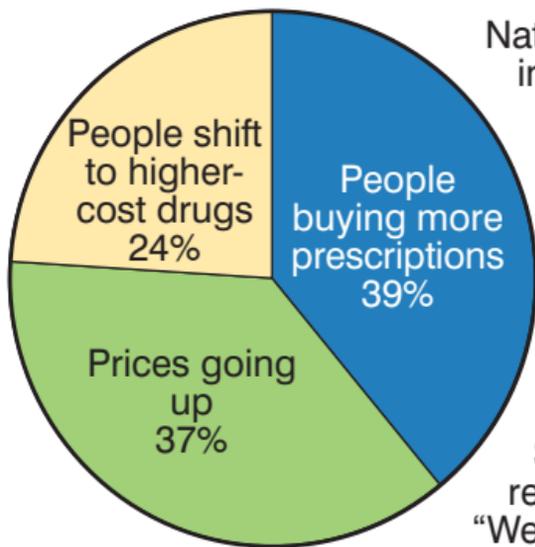
** The lowest price from four Canadian pharmacies on unitedhealthalliance.com.

*** Still under patent, so no generic can be produced.

**** Canadian patent expired, U.S. patent still in effect.

The web site for Canada drug costs, unitedhealthalliance.com, is a nonprofit service of Vermont's United Health Alliance, a physician hospital organization. UHA receives no fees for Web site service. The UHA staff periodically physically inspects the four Canadian pharmacies on its site.

Why is drug spending growing so fast?



National prescription drug spending is increasing at 16 percent to 18 percent a year, compared with a 12 percent increase in health-care costs and a 9 percent to 10 percent increase in hospital and doctor costs.

“It’s not just the 2 billion in advertising dollars [that the pharmaceutical industry spends per year],” said Greg Smith, CEO of Mountain State Blue Cross/Blue Shield. “It’s the increased usage that results from it.”

“We keep talking about the price of pharmaceuticals, which is a big problem, but it’s important to see that the utilization of new drugs that results from advertising is an even bigger part of the total drug costs.”

People are not only buying more prescriptions, Smith said, but they are also shifting to higher-cost prescriptions, which are advertised more. West Virginians fill more prescriptions per year than the national average, he said, in part because “we’re older, exercise less, and are number one in diseases like heart disease and various cancers.”