The Daily Dish

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Pennsylvania Governor Tom Wolf has raised the minimum wage to $10.15 an hour for state workers and workers on jobs contracted by the state, a 40 percent increase. The wage increase for state employees is expected to cost $4.1 million, effective immediately, however, Wolf did not specify where the money would come from. The administration estimates this executive order will raise wages for 450 of the 79,000 state workers under the governor's jurisdiction.

The U.S. launched air strikes in Somalia on Saturday, killing more than 150 fighters in a training camp for the terrorist organization al-Shabaab. After weeks of gathering intelligence, the U.S. military learned these fighters would embark on missions to attack American troops and their allies in East Africa. The U.S. has been conducting counterterrorism operations in Yemen, Pakistan, Somalia, Libya and other countries since the attacks on Sept. 11, 2001.

Eakinomics: Drug (Re)Importation

Presidential Candidate Donald Trump has joined Hillary Clinton and Bernie Sanders in support of enhanced importation of prescription drugs. Specifically, Trump's plan is to: "Remove barriers to entry into free markets for drug providers that offer safe, reliable and cheaper products. Congress will need the courage to step away from the special interests and do what is right for America. Though the pharmaceutical industry is in the private sector, drug companies provide a public service. Allowing consumers access to imported, safe and dependable drugs from overseas will bring more options to consumers."

Anything that sounds too good probably isn't that good. And anything those three agree upon probably deserves a closer look.

It is not always clear what people mean when they say "import prescription drugs" or, as it sometimes is said, "reimport prescription drugs." There are three possibilities. The first is to manufacture prescription drugs in a Food and Drug Administration (FDA)-approved facility overseas, transport them to the U.S. in an FDA-approved supply chain and market them in the U.S. on terms comparable to domestically manufactured drugs. For innovator drugs that are still on patent, this would mean manufacture by the U.S. manufacturer and sale just as if they had been manufactured in the U.S. This is legal now, and doesn't seem to be what the candidates are talking about.

The second possibility is that drugs are manufactured abroad under the auspices of the foreign government's regulatory regime (not the FDA), perhaps even in a country that does not recognize U.S. patents. Accordingly, they may be selling abroad at prices below those in the United States. Importing these drugs would do two things. The first would be to raise safety concerns because of the absence of FDA inspections in the manufacturing facilities. The second would be that the drugs would be sold at low prices because the patent is being violated. This is tantamount to getting rid of patent protection — something candidates are careful not to say — which would destroy incentives to innovate and develop new therapies. It is a sure route to ending the advance of medical progress.

The third possibility is reimportation. That is, allow U.S. consumers to purchase pharmaceuticals that were manufactured in (FDA-approved) U.S. facilities and exported abroad (e.g. Canada) and "reimport" them back to the U.S. Foreign pricing is typically lower than in the United States because of government policies like price controls. Again, this sounds alluring. But it would not work. To begin, those drugs are being sold in the quantities that are being sold and at the prices the government has mandated because the government and the consumers *want*them. Why in the world, would they permit large amounts to go back to the U.S. and result in either higher prices or rationed access to the drugs? They would not 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 U.S. to undercut U.S. contracts? It wouldn't.

The upshot is that importation and reimportation are not solutions to any real problem. High-quality competition, an efficient and low-cost regulatory regime, and elimination of costly government policies can lower drug prices. (Re)Importation will not.

From the Forum

Primer: Generic Drug Approval Backlog by Brittany La Couture, AAF Health Policy Counsel