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News Release

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Wrong Rx: Lifting drug reimportation ban would destroy jobs in Massachusetts

BOSTON – A study from the Beacon Hill Institute at Suffolk University for the Institute for Policy Innovation finds that proposals to lift the drug reimportation ban would destroy 3,957 jobs in Massachusetts over the first six years. Moreover, if the ban takes effect this year, the state would bear \$247 million (in 2000 dollars) annually in lost economic activity by 2010.

Massachusetts presents a particularly interesting case study. Not only because it is home to some of the most vociferous advocates of reimportation, such as, the mayor of Boston, civic leaders in Springfield and presidential candidate John F. Kerry, but because it also garners nearly 10% of the nation's pharmaceutical and biotech research and development dollars.

Reimportation allows proponents to say publicly that they oppose domestic price controls while bringing them in through the back door. Removing the ban on reimportation of drugs would mean re-importing price controls that translate into lower prices but also limited access. It would also, however, stifle R&D in high-tech states like Massachusetts.

The complex, highly regulated drug development process is extremely costly and most drugs fail to win approval. The few drugs that do make it to the marketplace must earn enough to pay for R&D for the majority that do not. Reimportation would shrink the pipeline for new prescription drugs by reducing the ability of companies to recover their investment in R&D. In the 12 years following the implementation of reimportation, R&D spending by pharmaceutical and biotechnology firms would fall by \$14.8 billion, in net present value terms. Reimportation would also lead to the abandonment of an estimated 262 additional drugs.

While this policy rewards consumers with lower costs for drugs already available, in the long run it reduces the flow of new drugs and treatments entering the marketplace each year. This short-sighted policy could have long-term negative consequences for Massachusetts economy and public health.