

2130 COMPETITIVE PROBLEMS IN THE DRUG INDUSTRY

SUPPLEMENTAL DATA REQUESTED BY SENATOR NELSON AND MR. GORDON (PAGE REFERENCES ARE TO TEXT OF TYPED TRANSCRIPT OF DECEMBER 19, 1967 HEARING)

1. DIFFERENCES BETWEEN UNITED STATES AND CANADIAN THORAZINE PRICES (PP. 2705-09)

Senator Nelson requested an explanation of the differences, indicated in a table prepared by the subcommittee staff, in prices of chlorpromazine in the U.S. and Canada (pp. 2705-09).

Under the name of its Canadian affiliate, Poulenc Ltd., Rhone Poulenc manufactures and sells its own chlorpromazine in Canada, using the Rhone Poulenc brand name Largactil. We have been informed by Poulenc Ltd. that, after the recent removal of the Canadian manufacturer's sales tax, its price to pharmacists is \$18.60 (Canadian) per 500 tablets in 25 mg. strength and \$45.45 per 500 tablets in 100 mg. strength. On a per thousand tablet basis, this would correspond to \$37.20 (Canadian) for 25 mg. strength and \$90.90 (Canadian) in 100 mg. dosage. These prices are somewhat lower but not dramatically lower than the listed Red Book prices of \$57.58 and \$92.64 for Thorazine in the United States, cited in the subcommittee's table. This is not unusual: prices for some drug products are lower and in other cases are higher in Canada than prices for comparable products in the United States, depending on a number of circumstances including the place of manufacture and whether royalties are paid.

Poulenc Ltd. has advised PMA by letter that Bell-Craig, the Canadian supplier cited in the subcommittee's table, "has not been licensed by Poulenc to sell chlorpromazine." The Poulenc letter makes it clear that Bell-Craig was not using Poulenc material, adding that they "do not know the source of their material, but find it difficult to understand how Canadian material can be sold at the prices quoted."

Poulenc Ltd. has also written that unlicensed imported chlorpromazine has been sold in Canada by several companies and that a test suit is now pending against one importer alleged to be distributing such material.

The comparison of Canadian and American prices of chlorpromazine shown in the subcommittee's table does not involve like products or like situations. Thorazine and Largactil are made in different countries by different companies. Prices charged to commercial outlets in the United States and Canada by the two innovating companies do not show an extreme disparity, considering the probable differences in the level of costs and other factors.

To make a valid comparison, one would have to duplicate the situation exactly, or else find some mechanism for making comparable the markets to be compared, the company producer, and the product. This is not feasible in the case cited. But even if it had been, the significance would be limited. The Sainsbury Committee in the United Kingdom, in its 1967 report, quite correctly rejected the use of such international price comparisons as a basis for proving whether drug prices in Great Britain were reasonable. In this regard the report stated in part (p. 50, para. 168) :

"There are many reasons why international comparisons of prices are extremely difficult to make and even more difficult to interpret: the use of current rates of exchange as a means of putting prices expressed in different currencies on a comparable basis gives rise to many ambiguities. There are even greater difficulties if one adopts other bases for comparisons. The great differences in habits and in per capita incomes lead to differences in elasticities of demand, and the differences in the assortment of medicines consumed in different countries reduce the significance of comparisons. For these and other reasons, we have not thought it useful to attempt an elaborate comparison of international prices, for in this field figures can easily be used to arrive at any desired result."

The hazards of such comparisons are, of course, even greater when one is considering the case of prices bid by different companies, in different countries, to different government departments; particularly since such pricing is customarily on an incremental or marginal cost basis.

1A. EXTENT OF SMITH KLINE & FRENCH RESEARCH AND DEVELOPMENT OF THORAZINE (PP. 2705-09, 2894-95)

In connection with the discussion of Thorazine prices, Mr. Cutler for PMA offered to submit information on the extent to which Smith Kline & French performed research and development work on chlorpromazine in the United States (pp. 2709, 2895).