



**Statement of Nathan Jacobson
President, MagenDavidMeds.com**

To the

**United States Department of Health and Human Services
Secretary's Task Force on Drug Importation
May 14, 2004**

I appreciate the opportunity to appear before you today. My name is Nathan Jacobson. I am the President and CEO of **MagenDavidMeds.com**. With me is Don Gracey.

MagenDavidMeds.com is an Internet pharmacy operating out of Israel. For time zone, language and cultural reasons, we have established a call centre in North America.

We began operations in January of this year, after three years of planning, and have been very pleased at the interest we have received and the growing number of orders we are filling.

In our various publications, we often refer to the Gutenberg printing press. We do so because we see an analogy with today's Internet pharmacies.

The Gutenberg press was a new technology that made the printed word more accessible to the masses, in a form and at a cost that the masses could more readily absorb. The Gutenberg press was a catalyst for an exponential increase in literacy and general learning that played a role in the Industrial Revolution and the spread of democracy across Europe.

Nevertheless, the Gutenberg press was reviled by the vested interests in society, who previously exercised a monopoly on information and used that monopoly to maintain political, social and economic control.

In exactly the same way, the Internet, as a new technology, has been a social and economic leveler and, with all its faults, has brought political, economic and social empowerment to every quarter of the globe.

Internet pharmacies, such as **MagenDavidMeds.com**, are a subcomponent of the Internet revolution. We aim to provide a low-cost, but entirely safe, alternative to the multinational pharmaceutical companies, and the conventional supply chain. As happened with Gutenberg, we have been reviled by the vested interests in the drug business whose market dominance and profits may be threatened.

If I were one of those vested interests I would be concerned too, because obviously a gap has developed between what U.S. consumers want and what U.S. pharmaceuticals are prepared to give.

An overwhelming number of Americans take prescription drugs or have a family member who does. The high cost of prescription drugs in the United States is driving more and more people to Internet pharmacies and cross-border purchases and has made Internet pharmacies an overnight success.

Internet pharmacies are responding to an enormous pent-up demand. Recent polls conducted in this country indicate that nearly a third of Americans say that paying for prescription drugs is a problem for their families and many are cutting dosages or going without as a consequence.

In another poll, nearly two-thirds of respondents said American governments should make it easier to buy cheaper drugs from Canada and other countries.

Eighty percent of Americans in another poll believe that the high cost of prescription drugs will be an issue in the campaigns for your elections this November. Almost half of those polled thought that it would be a "very important" issue.

The high cost of prescription drugs impacts particularly on the most vulnerable populations: Seniors, people without private insurance, the disabled, the unemployed, and the working poor.

Our research has identified over 200 elected officials, from mayors to U.S. congressmen and senators who have expressed their support of Internet pharmacies on behalf of their constituents.

In response to the alternative presented by Internet pharmacies, the vested interests and their agents have propagated a number of myths in order to try to shake the public's confidence in, and support for, Internet pharmacies.

I should like to spend some of the time allotted to me today to address a few of those myths:

One myth is that Internet pharmacies, unlike the pharmaceutical giants, sell drugs that are produced outside of United States. As such, so the myth goes, they are less safe than drugs manufactured in the United States and their purchase reduces the number of jobs and the other economic spin offs that the U.S. pharmaceuticals generate in the United States.

The facts are these: About 86 percent of all prescription medications bought in the United States are manufactured outside of the United States. The United States imports over \$40

billion in pharmaceuticals yearly. One of the biggest-selling drugs in the world, Lipitor, is manufactured in Ireland. So is Viagra. Nexium is produced in Sweden, France and other countries. Prevacid is produced in Japan. Many of the drugs sourced through Internet pharmacies are identical in every way to the drugs produced by the major multinationals, in fact many of them are produced by those multinationals.

Another myth is that Internet pharmacies are engaged in counterfeit pharmaceuticals. Countries such as India, Pakistan and China have been targeted by former FBI agents hired by the pharmaceutical companies, as 'hotspots' for black market counterfeit medications, and, in the past few weeks, Israel has suddenly been alleged to be one of those 'hotspots.'

I cannot speak for other Internet pharmacies. I can only speak for **MagenDavidMeds.com**. In our case the facts are: Israel's security system for pharmaceuticals is second to none in the world and the reasons are obvious. EL AL is the world's most secure airline and I venture to say that Israel's pharmaceutical industry is the most secure in the world.

Another myth is that Internet pharmacies are breaking the law, or at least operating on the fringes of the law.

Again, in the case of **MagenDavidMeds.com**, we are operating in full compliance with U.S. and Israeli laws, in particular within the Free Trade Agreement between Israel and the United States executed in 2001. We only accept prescriptions from registered health care practitioners who are authorized by state law to issue prescriptions in the United States and we have a team of Israeli-registered pharmacists who verify the authenticity of every single prescription. Prescriptions must be sent to us by facsimile. No online ordering is allowed. We do not trade in narcotics, controlled substances as defined by U.S. law, or habit-forming medications of any kind.

Another myth is that those who patronize Internet pharmacies are putting themselves at risk.

The facts, in the case of **MagenDavidMeds.com** are these: Drug safety regulation is in many respects stricter, or more effective in Israel than it is in the United States. For example, an Israeli company developed a computerized system for ensuring proper administration of medications, thus removing human error from medical treatment. Every year in U.S. hospitals 7,000 patients die from treatment mistakes.

Medications sold by pharmacists in North America are usually received by the pharmacists in bulk, typically in containers of 250, 500, or 1000 pills or capsules. The medication is then usually manually counted by the dispensing pharmacists and repackaged into smaller containers for the patient. This is the way it has been done from time immemorial. But, when medications are dispensed in this manner, patient safety can be compromised. Manual handling leads to sanitary concerns. The conventional approach increases the potential for counterfeiting and the dispensing of stale-dated

medication, because Expiry date and Lot Numbers from the original container do not make their way through to the consumer.

Under our system, all medications sold by **MagenDavidMeds.com** are sourced from FDA-approved facilities. All medications purchased by our customers are delivered in the original manufacturer's packaging, including sealed, foil blister packs (typically 30 pills per sheet). Consumers also receive the medical profile and any warnings for the medication written in English, Hebrew and Arabic. Both the package and the blister packs that consumers receive have the Expiry dates stamped on them, making them counterfeit-proof. The manufacturer's package also has its lot numbers printed on it making it traceable directly to its origins.

Another myth is because our prices are so much lower for the same medications sold by conventional means in the United States, means something must be wrong.

In fact, Israel is internationally recognized as a pharmaceutical center of excellence. Israel leads the world in the number of scientists and technicians in the workforce, 145 per 10,000, as opposed to 85 per 10,000 in the U.S., over 70 per 10,000 in Japan, and less than 60 per 10,000 in Germany.

In price terms, we are simply benefiting from the lower prices of pharmaceuticals that apply outside the U.S. and the discounts we receive through bulk buying. It is an indisputable fact that for a number of reasons Americans pay more for their drugs than citizens of any other country in the world.

Here a few comparative price illustrations of some of the most popular medications:

Name	Strength	Quantity	US Competitor¹	MagenDavidMeds.com	% Difference
Lipitor	10 mg	90	\$212.97	\$106.92	49.8%
Zocor	40 mg	30	\$132.99	\$30.55	77.0%
Prilosec	20 mg	30	\$122.99	\$33.88	89.1%
Zyprexa	10 mg	60	\$523.98	\$369.74	29.4%
Fosamax	70 mg	12	\$209.97	\$102.10	51.3%

Thank you again for the opportunity to appear before you today and for your attention. I'd be pleased to respond to any questions or comments you may have.