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JOHN ELIAS BALDACCI  
GOVERNOR

April 26, 2010

Kathleen Sebelius, Secretary  
Department of Health and Human Services  
200 Independence Avenue, S.W.  
Washington, D.C. 20201

Dear Secretary Sebelius:

I am writing because I am concerned that the Administration is developing a trade policy that might ultimately constrain the ability of the State of Maine and the federal government to continue best practices to control pharmaceutical prices. This policy may be part of the "Special 301" report to be issued by the United States Trade Representative (USTR) by the end of this month. The USTR is not a health-regulatory authority and it has no expertise in public health matters. I hope that the USTR will reverse the previous administration's support for using trade policy to restrict governmental powers to control medicine prices, and I write to ask you to support this request and help develop a coherent administration policy that is consistent with the authority of the state and federal governments to continue pharmaceutical price-restraining policies.

Medicaid and other local programs run by the state and federal governments provide healthcare for over 40 million people. To control the costs of pharmaceuticals in these programs, some states compare the safety, efficacy and cost effectiveness of new drugs to existing therapeutic alternatives and construct Preferred Drug Lists (PDLs) for preferential reimbursement. There are also federal mandates that require companies to offer their best prices to Medicaid. Similar mechanisms keep drug costs low for the Veterans Administration, Defense Department and the General Services Administration. As a result, although consumers and businesses in the U.S. generally pay the highest drug prices in the world, the prices for government-run programs in the U.S. tend to be equal to, or lower than, the prices in Canada and other wealthy countries with national health insurance.

The past administration pursued a trade policy that sought to limit the ability of foreign governments to restrain medicine prices. At the public hearing on the Special 301 report held in March 2010, government officials indicated that there has not been any policy change on this issue in President Obama's Administration, and that the Special 301 Report would continue to press countries to restrict pharmaceutical pricing programs that are substantially identical to



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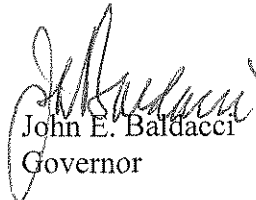
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those used by states such as Maine. Trade agreements are, of course, reciprocal by nature. The USTR should not promote policies abroad that it is not prepared to require at home.

As you know, the success of health reform, including the federal role in covering much of the costs of state Medicaid expansion, depends on the ability of governments to control pharmaceutical costs. An administration-wide policy to protect the right of governments to affect medicine prices is in the best interests of citizens. I urge you to work to ensure that such a policy is reflected in the Administration's trade agenda.

Sincerely,



John E. Baldacci  
Governor

cc: Ambassador Ron Kirk, US Trade Representative  
Miriam Sapiro, Deputy U.S. Trade Representative  
Nils Daulaire, Department of Health and Human Services  
John Monahan, Department of Health and Human Services  
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