Medical Xpress

Cancer drug 'scalpers' corner US market

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Pssst. Wanna buy some chemo drugs? A new trend in pharmaceutical sales has raised concerns over ethics and patient safety, as companies buy up critical cancer drugs in short supply and attempt to resell them at huge markups.

Rather than operate by the dark of night on street corners, these drug dealers work in broad daylight using fax, phone and email to deluge hospitals with offers.

Experts say the so-called "gray market" is not illegal and could even be poised to surge further after President Barack Obama issued an executive order that tried to fix the problem, but may have just opened a larger loophole.

"These are a number of very small firms that have popped up out of nowhere. Most of them are relatively new," said Thomas Smith, director of palliative medicine at Johns Hopkins Medical Institutions.

"It happens in every other market, we just don't expect it to happen in pharmaceuticals for cancer treatment," he told AFP.

More than half (56 percent) of the 549 hospitals surveyed by the non-profit Institute for Safe Medication Practices (ISMP) earlier this year said they received daily solicitations from gray market vendors "to purchase medications no longer available through the manufacturer or usual wholesaler."

About half of hospitals surveyed (52 percent) admitted to buying one or more drugs from gray market vendors in the past two years, as manufacturers halted production of some generic drugs because they were no longer profitable.

"I would like to know why hospitals can't get these products, but the 'scalpers' can. It is unreal to have to deal with 'scalpers' in healthcare," said one survey respondent whose name was withheld by ISMP.

Drug prices ranged from 650 percent to 4,000 percent over the usual cost, said the survey, which referred to all kinds of pharmaceuticals, not just cancer drugs.

Prescription drug shortages in the United States nearly tripled from 2005 to 2010, according to the Department of Health and Human Services.

Just why drugs are falling out of production, particularly in cancer care, has to do with the extremely low price of generic medicines and the profit incentive that drives cancer doctors to prescribe costlier medications.

Oncologists get a portion of their pay by buying drugs wholesale and billing the government's Medicare behemoth for reimbursement, a practice that ended up paying US doctors more than they spent on the drugs by $1.6 billion per year.

A law signed by president George W. Bush in 2003 tried to clamp down on inflated billing by ordering Medicare to pay doctors based on a drug's average selling price, plus six percent.

Prices were also prohibited from rising more than six percent every six months.

That limited the market's ability to respond to a shortage of a generic drug by increasing its price. Manufacturers were faced with limited demand and a 90 percent price drop for a generic drug. And cancer doctors were faced with a deep cut to their bottom line.

"Why use paclitaxel (and receive six percent of $312) when you can use Abraxane (for six percent of $5,824)?" Smith wrote.

The rise of the gray market, viewed by experts as an unintended consequence of the Bush move, has sparked new worries about the safety of the drugs being re-sold, or that errors could be made in dosing adjustments if hospitals seek alternate medications.

It remains unknown exactly how many gray market drug vendors are out there. Five are being investigated by Congressman Elijah Cummings for offering breast, ovarian, colon and lung cancer drugs at vastly inflated prices.

"Cummings said it is quite criminal, and if it's not, it should be," said spokeswoman Ashley Etienne.

"It is unfortunate that these companies would take advantage of people in their most vulnerable state to make a profit."

Only one of those five, Allied Medical -- which was singled out for offering a leukemia drug at over $990 per vial when the usual price was $12 -- returned an AFP request for comment, but refused to grant an on-the-record interview.

"Recent media attention on prescription drug shortages highlights the vital role that Allied Medical Supply and other companies play to ensure that hospitals and patients have the medicines they need when they need them," it said in a statement.

Obama last month signed an executive order to require drug manufacturers to "provide adequate advance notice of manufacturing discontinuances that could lead to shortages of drugs that are life supporting or life sustaining."

Oncologist James Speyer, medical director of the Clinical Cancer Center at New York University Langone Medical Center, applauded the move as an important first step.

But, he cautioned: "I don't think it is going to address every part of the problem. I believe, as do many colleagues, that the amount of money a company can charge for the drug plays a real role here."

Smith also described Obama's order as "a terrific start," but warned that it could make it easier for the gray market to function.

"If it just requires manufacturers to report a drug shortage, then people who are making money off this will find an obvious entry," he said.

Europe has avoided the problem because oncologists do not have the incentive to administer more expensive drugs, and generics cost more while brand names generally cost 20 to 40 percent less than in the United States.

One solution could involve the US government partnering with cancer drug manufacturers the way it does with makers of low cost, unprofitable vaccines, to ensure companies are paid enough to supply the market, said Smith.

"Manufacturers won't make the drugs unless they have a stable demand and a stable profit," he said.