

British executive accused in China drug bribery

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In this July 24, 2013 file photo, a Chinese flag is hoisted in front of a GlaxoSmithKline building in Shanghai, China. Police accused a British executive of drug maker GlaxoSmithKline on Wednesday, May 14, 2014, of leading a sprawling scheme to bribe doctors and hospitals to use its products. (AP Photo/Eugene Hoshiko, File)

Chinese police Wednesday accused a British executive of GlaxoSmithKline of leading a sprawling scheme to bribe doctors and hospitals to use its drugs.

The announcement was the first time a foreign employee in China of British-based GSK was accused in the investigation announced last July. It highlighted the widespread use of payments to doctors and hospitals by sellers of drugs and medical equipment in a state-run and poorly funded health system that Chinese leaders have promised to improve.

The executive, Mark Reilly, is accused of operating a "massive bribery network," said a police official, Gao Feng, at a news conference. He said the case had been handed over to prosecutors for formal indictment.

Beginning in January 2009, Reilly was accused of ordering his sales team to pay doctors, hospital officials and health institutions to use GSK's products, said Gao, deputy director of the Ministry of Public Security's economic crimes unit. He said that resulted in "illegal revenue" of billions of yuan (hundreds of millions of dollars).

Gao said Reilly remains inside China but did not provide further details of his status. He said dozens of other people also were implicated but gave no names or other details. GSK did not immediately respond to a request for comments.

Reilly was GSK's senior vice president of pharmaceuticals for China and Hong Kong and former general manager for China.

Police previously identified four Chinese employees of GSK who they said confessed to bribery.

A second foreign drugmaker, AstraZeneca, said in July that police in Shanghai were investigating one of its salespeople. The company has given no information since then.

Chinese state media have publicized the investigations of GSK and AstraZeneca. But economists who study Chinese health care say such

payments are more widely used by China's domestic drug manufacturers.

Doctors and hospitals routinely accept informal payments from patients and suppliers of medical goods to top up low salaries and cover gaps in budgets.

Hospitals also raise money by adding surcharges to [drug prices](#) and assigning employees sales quotas. That can also distort treatment by encouraging overuse of expensive drugs or procedures.

Gao said Reilly engaged in "wanton" bribery to meet high sales growth goals set by GSK's head office.

To fund the bribes, GSK inflated drug prices by declaring high costs at China's customs, Gao said.

"In other words, the more drugs it sold, the more money it had to bribe. The more it bribed, the more drugs it could sell," he said.

Police found GSK was selling its medications at prices far exceeding those of the same products in other countries, sometimes as much as seven times, and GSK increased its sales in China to 6.9 billion yuan in 2012, Gao said. Its sales in 2009 were 3.9 billion yuan, according to Xinhua.

To stifle competition ahead of the 2012 expiry of the patent for one of its drugs, GSK used bribes to ensure hospitals were using the drug exclusively, Gao said.

GSK also set up a special unit to fend off bribery investigations, he said. Employees had obstructed previous inquiries into possible misconduct by bribing investigators and other [government officials](#).

In a separate statement, police in the central city of Changsha, where the investigation began, said Reilly and two Chinese executives also are accused of bribing government officials in Beijing and Shanghai.

Police in Changsha said last July that employees appeared to be trying to evade GSK's internal anti-bribery controls by making payments totaling as much as 3 billion yuan (\$490 million) to a travel agency that gave back at least part of that money.

One of the detained Chinese employees was shown on state television at that time describing how he paid bribes to government officials to win support for use of the company's medications.

The British Embassy in Beijing said it could not comment while the case was underway and referred questions to GSK.

Gao said possible charges include bribing nongovernment workers and bribing corporate units, while GSK might face charges of corporate bribery.

GSK said previously it shared the Chinese government's desire to "root out corruption" and supported the investigation.

The company has given the investigation its "full assistance and cooperation," Gao said.

The investigations coincide with efforts by Communist Party leaders to improve China's health system and rein in surging costs of medicine and medical care that are fueling public frustration.

Under the current system, the state-set price to see an oncologist or other specialist is as little as 7 yuan (\$1.10), less than the cost of a hamburger and too little to cover a hospital's expenses. The top salary for an

experienced physician might be as little as 6,000 yuan (\$980) per month.

The ruling party has promised higher spending on health care, but economists say that with a population of 1.3 billion people, the cost of a full-scale overhaul will be high.

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