

Congress: drugmakers planned price hikes to boost profits

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Former Turing Pharmaceuticals CEO Martin Shkreli is interviewed by host Maria Bartiromo during her "Mornings with Maria Bartiromo" program on the Fox Business Network, in New York, Tuesday, Feb. 2, 2016. (AP Photo/Richard Drew)

Two drugmakers have made a practice of buying and then dramatically hiking the prices of low-cost drugs given to patients with life-threatening conditions including heart disease, AIDS and cancer, according to

excerpts from thousands of documents released by federal lawmakers.

A congressional review of more than 300,000 pages from Turing Pharmaceuticals and Valeant Pharmaceuticals reveals how executives planned to maximize profits while fending off negative publicity over the price hikes.

Rep. Elijah Cummings, D-Maryland, released the information Tuesday ahead of a hearing Thursday to examine exorbitant price spikes. Cummings has used his position atop the House Committee on Oversight and Government Reform to investigate several companies that have bought previously low-cost drugs and jacked up their prices many times over.

The Democrat said in a statement that the documents show "that many drug companies are lining their pockets at the expense of some of the most vulnerable families in our nation."

When reached Tuesday, Valeant and Turing said they're committed to ensuring that cost isn't a deterrent for patients.

At the center of the investigation is Turing's former CEO Martin Shkreli, who became the poster child of pharmaceutical-industry greed last fall for hiking the price of a life-saving drug by more than 5,000 percent. That drug, Daraprim, is the only approved medication for a parasitic infection which mainly strikes patients with weakened immune systems, including those with cancer and AIDS. The patent on the drug expired decades ago.



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Company presentations released Tuesday show that as early as last May, Turing planned to turn Daraprim into a \$200-million-a-year drug by dramatically increasing its price. Turing purchased the six-decade-old drug from Impax Laboratories in August for \$55 million and promptly raised its price.

Shkreli said in an email to one contact: "We raised the price from \$1,700 per bottle to \$75,000. Should be a very handsome investment for all of us."

But anticipating a possible backlash, the company warned in an internal

memo: "HIV patient advocacy may react to price increase ... HIV community is highly organized, sensitive and action-oriented."

The price increase left some patients with co-pays as high as \$16,000, according to the committee's review of more than 250,000 pages of documents from New York-based Turing.



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Turing said Tuesday in an emailed statement that it is "committed to ensuring that no patient will ever be denied access to Daraprim because of cost."

In addition, the House committee reviewed more than 75,000 pages of documents from Canadian drugmaker Valeant. A memo summarizing the documents said the paperwork shows that CEO J. Michael Pearson decided to buy two life-saving heart drugs, Nitropress and Isuprel, to dramatically hike prices and drive up his company's revenue and profit.

The drugs treat abnormal heart rhythms, congestive heart failure and high blood pressure. Laval, Quebec-based Valeant Pharmaceuticals International Inc. bought the drugs for \$350 million from Marathon Pharmaceuticals about a year ago and then tripled the price for one and increased the other six-fold. The memo to members of the House Committee on Oversight and Government Reform from staff members noted that this came a couple years after Marathon imposed its own, steep price hikes.

The memo also said Valeant identified revenue goals first and then used drug prices to reach those goals, with the drugmaker believing it could repeatedly hike the prices of Isuprel and Nitropress without repercussions because those drugs are administered by hospitals, which are less sensitive to prices than consumers



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The drugs generated \$547 million in revenue and around \$351 million in profits last year alone. The memo said the drugmaker also more than tripled the prices on over 20 additional U.S. products in 2014 and 2015.

Valeant used patient assistance programs to distract attention and justify its price hikes, the memo noted. It cited correspondence from Valeant marketing executive Jeff Strauss, who reviewed a company response to a customer who complained about price increases. Strauss noted that Valeant was providing the drug to patients at a minimal cost of no more than \$25 for a 30-day supply.

"Kind of hard to paint us as greedy if we have removed financial barriers for patients," Strauss wrote.

When asked about the congressional report, Valeant said it expected that its future growth will be driven more by sales volume than pricing. The drugmaker said it now offers a 30-percent, volume-based discount on the prices of Nitropress and Isuprel. It didn't say how much customers had to buy to trigger the discount.

It also is offering discounts on some drugs through a distribution agreement it entered with the drugstore chain Walgreens Boots Alliance Inc.

On Thursday, the House Committee is scheduled to hear testimony from Turing's chief commercial officer, Nancy Retzlaff and Valeant Pharmaceutical's interim CEO, Howard Schiller. Schiller was appointed to the position last month after Pearson was hospitalized with severe pneumonia.

Shkreli said in a television interview Tuesday that he plans to take the Fifth Amendment to avoid answering questions at the hearing, but added he'd like to "berate" and "insult" lawmakers.

The 32-year-old former hedge fund manager was recently charged with of securities fraud and conspiracy related to another pharmaceutical company he ran before founding Turing.

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