Hoescht thus falsely inflated the reported price of its Zofran to create an improper financial incentive and thus capture a greater share. The following excerpt from an internal Glaxo document reveals that Hoescht directly benefited from this diversion of tax dollars:

(Exhibit #13) Glaxo: “There is a decline in Zolfran usage at Louisiana Oncology in Baton Rouge. Lebanese, Kevin Turner (HL1CO2) has seen decline in Zofran usage in this clinic over the last few months. The reason for this decline is strictly a reimbursement issue. This clinic has started using Zanemet because it is more profitable. Kevin has learned that this clinic is buying Zanemet for $58.00 for a 100mg vial, which gives them a $8.29 profit from Medicare. They are buying a 100mg vial of Zofran for $145.28. If they use 32 mg of Zofran, which is $3.63 per mg, this will net this clinic $69.60 on $145.28. If they use 32 mg of Zofran, which is $3.63 per mg, this will net this clinic $69.60 from Medicare reimbursement. Clearly Anzemet has a reimbursement advantage over Zofran. . . .” (GWZ 085003)

The above evidence leads to some shocking conclusions:

First—Certain drug manufacturers have abused their position of privilege in the United States by reporting falsely inflated drug prices in order to create a de facto improper financial incentive to customers.

Second—Certain drug manufacturers have routinely acted with impunity in arranging improper financial inducements for their physicians and other healthcare provider customers.

Third—Certain drug manufacturers engage in fraudulent price manipulation for the express purpose of causing federally funded healthcare programs to expend scarce tax dollars in order to arrange de facto kickbacks for the drug manufacturers’ customers at a cost of billions of dollars.

Fourth—Certain drug manufacturers arrange kickbacks to improperly influence physicians’ medical decisions and judgments notwithstanding the severely destructive affect upon the physician/patient relationship and the exercise of independent medical judgement.

Fifth—Certain drug manufacturers engage in illegal price manipulation in order to increase their drugs beyond that which is necessary and appropriate based on the exercise of independent medical judgment not affected by improper financial incentives.

As the principal association representing the pharmaceutical manufacturing industry, I believe you owe it to the citizens of the United States to urge Congress as to whether the above evidence reflects the standards of the pharmaceutical industry in this country. If it does, then explicit price regulation will clearly be necessary to counter your industry’s inability to report prices will integrity and its propensity to engage in price manipulation. If, on the other hand, the above evidence does not reflect that standards in the pharmaceutical industry, then your association owes it to the American people to support and assist with the efforts of the federal and state enforcement authorities, including the U.S. Department of Justice, to correct the actions of the drug manufacturers engaging in this conduct and to require adequate Medicare and Medicaid and other federally funded programs for the damages they have caused.

Sincerely,

PETE STARK
Ranking Member, Subcommittee on Health.