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To:

Subject: **Big Pharma's Price-Gouging Exposed**

Mary,

Health Care for America Now released new research today that shows big pharmaceutical companies are making billions of dollars by systematically overcharging taxpayers and seniors for drugs that they sell for a fraction of the cost in other countries. Since we released our research hours ago, the story has been reported by *Politico*, *The Wall Street Journal*, *MarketWatch* and *Think Progress*. We're expecting to see a lot more coverage, but we wanted to share our research directly with you first. Check out the blogpost by HCAN Executive Director Ethan Rome, which was published by *Huffington Post* and *Daily Kos* today.

Big Pharma Pockets \$711 Billion in Profits by Robbing Seniors, Taxpayers

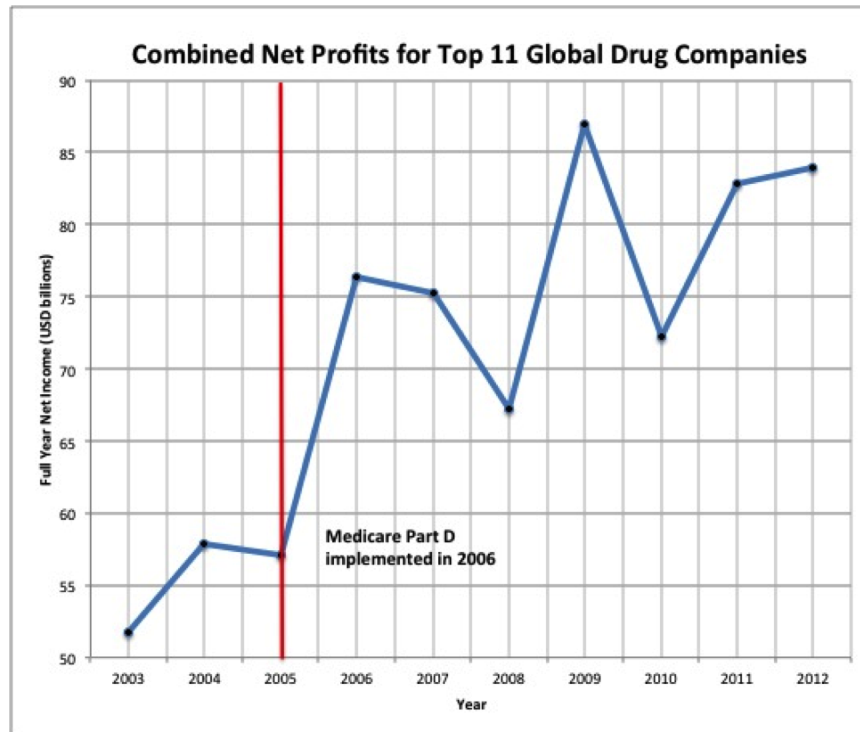
By Ethan Rome, Executive Director, Health Care for America Now

Here's an outrage that must be changed: Big Pharma has been systematically price-gouging the Medicare program for seniors and people with disabilities -- and raking in billions in excessive profits. The 11 largest global drug companies made an astonishing \$711 billion in profits over the 10 years ending in 2012, and they got a turbo-charged boost when the Medicare Part D prescription drug program started in 2006, according to an analysis of corporate filings by Health Care for America Now (HCAN). ??The drug companies hold the power to charge America's consumers whatever they want. Worse, Medicare -- the nation's largest purchaser of drugs -- is prohibited by law from seeking better prices. The result of this shortsighted policy is dramatic. In 2006, the first year of Medicare's prescription drug program, the combined profits of the largest drug companies soared 34 percent to \$76.3 billion. And unlike other industries, such as Big Oil, drug companies get something even better than a tax subsidy -- they get a government program.

There is nothing wrong with a company making profits -- that's what they're supposed to do. But the drug industry's profits are excessive as a result of overcharging American consumers and taxpayers. We pay significantly more than any other country for the exact same drugs. Per capita drug spending in the U.S. is about 40 percent higher than in Canada, 75 percent greater than in Japan and nearly triple the amount spent in Denmark.

HCAN reviewed the last decade's financial filings from the 11 prescription drug giants: Pfizer, Johnson & Johnson, Novartis, Merck, Roche, Sanofi-Aventis, GlaxoSmithKline, Abbott Laboratories, AstraZeneca, Eli Lilly and Bristol-Myers Squibb. Even as millions of Americans struggle to afford their medicines and as Republicans in Congress threaten to cut seniors' benefits, these corporate behemoths have extracted \$711.4 billion in profits for Wall Street investors. The drug companies' annual profits reached \$83.9 billion in 2012, a 62 percent jump

from 2003.



The drug companies, of course, say they have no choice and need to charge outrageous prices to pay for research that enables them to innovate and develop new drugs that save our lives. But that's not true. [Half of the scientifically innovative drugs approved in the U.S. from 1998 to 2007 resulted from research at universities and biotech firms](#), not big drug companies. And despite their rhetoric, drug companies spend [19 times more](#) on marketing than on research and development.

There are two reasons why it matters that the drug industry is booking eye-popping profits. First, American consumers and taxpayers are footing the bill, and second, we could do something about it. ??It's against federal law for Medicare, the nation's biggest health plan, to use its unparalleled market power to reduce the cost of prescription drugs. This makes no sense. If the policy were changed, taxpayers and consumers would save huge amounts of money.

Simply empowering Medicare to get the same bulk purchasing discounts on prescription drugs as state Medicaid programs would save the federal government [\\$137 billion](#) over 10 years, according to the Congressional Budget Office. Eliminating price-gouging on that scale would go a long way toward addressing the fiscal challenges that are constantly under discussion in Washington -- without harming seniors and middle-class families. This proposal has been supported by President Obama and is in the House Democrats' budget plan. It is reportedly in the president's 2014 budget plan as well.

Net Profits for Top 11 Global Pharmaceutical Companies, 2003-2012

(in billions of US dollars)

Johnson & Johnson	\$105.8
Pfizer	\$100.4
Novartis	\$83.1
Merck	\$59.1
Roche	\$73.3
Sanofi-Aventis	\$57.7
GlaxoSmithKline	\$77.8
Abbott Laboratories	\$40.6
AstraZeneca	\$58.9
Eli Lilly	\$27.7

Our politicians give all kinds of tax breaks and subsidies to big corporations that don't need them: Big Oil. Wall Street. Companies that ship our jobs overseas. Every gift to a special interest, including allowing Big Pharma to overcharge Medicare, is an expenditure of scarce tax dollars. That's called wasteful spending.

When it comes to addressing our country's fiscal challenges, we shouldn't even talk about cutting Medicare or any services people depend on, as the Republicans have proposed. Instead, we should eliminate indefensible special-interest tax breaks and subsidies for big corporations that don't need them.

Bristol-Myers Squibb	\$27.0
Total:	\$711.4 BILLION
