

FOR IMMEDIATE RELEASE:

CONTACT: Brian Fallon, 202-224-2939

December 6, 2011

**SCHUMER BILL WOULD MAKE PRICE GOUGING OF
PRESCRIPTION DRUGS DURING SHORTFALLS A FEDERAL
CRIME; BILL WOULD CRACKDOWN ON ROGUE GRAY
MARKET DISTRIBUTORS WHO SEEK TO UNETHICALLY
PROFITEER OFF SHORTFALLS OF VITAL CANCER AND
HEART MEDICATIONS**

*Some Rogue Drug Distributors Are Buying Up Life Saving Cancer and Heart
Meds that Are In Short Supply and Trying to Sell them to Hospitals at Astronomical
Mark-Ups*

*Schumer Legislation Would Provide Justice Dept With Authority to Prosecute Price
Gougers Who Attempt to Make Exorbitant Profits During Shortages; Currently, No
Federal Law Exists Prohibiting Prescription Drug Price Gouging*

*Schumer: Unscrupulous Drug Resellers Are Taking Advantage of Drug Shortages
and Holding Hospitals and Patients Hostage for Massive Profits*

U.S. Senator Charles E. Schumer announced today that he is introducing legislation that would make it a federal crime to engage in prescription drug price gouging when drugs are in short supply. Schumer's legislation would give the U.S. Department of Justice (DOJ) the authority to prosecute price gougers and crackdown on unscrupulous drug distributors that buy life saving medications and sell them to hospitals at outrageous mark-ups. In October, Schumer called for the FTC to launch an investigation into possible price gouging by companies engaged in the practice.

The Protecting Patients and Hospitals From Price Gouging Act would make it a federal crime to engage in price gouging of prescription drugs during drug shortages and federal emergencies. The bill would give the DOJ the authority to prosecute companies that engage in price gouging during shortages in order to protect patients and hospitals from being forced to buy life-saving medications at exceptionally inflated prices. Schumer's bill would allow the DOJ to prosecute individual gray

market distributors who operate in an unscrupulous manner by engaging in price-gouging. The legislation would allow penalties of up to \$500 million per violation.

“Forcing hospitals to buy life-saving medications at outrageously inflated prices is unquestionably unethical, and with this legislation it would be illegal too,” said Schumer. “Let this be a loud and clear message to any unscrupulous middlemen that are holding, or would attempt to hold, patients and hospitals hostage for outrageous ransoms: if you try to play games with vital medicines in short supply, you will be held accountable.”

Schumer’s bill comes on the heels of reports that uncovered the practice in which third-party companies purchase drugs in short-supply, including life-saving medications to treat cancer and heart conditions, and resell them to hospitals at significant mark-ups. Currently, there is no federal law that explicitly prohibits prescription drug price gouging, tying the federal government’s hands from prosecuting unscrupulous drug distributors. Schumer’s legislation would give the DOJ the authority to prosecute price gouging to prevent drug resellers from taking advantage of drug shortages and charging hospitals outrageous prices for vital, life-saving medications. The legislation would help crackdown on unscrupulous operators and serve as a deterrent to rouge gray market distributors whose prices are wholly unrelated to their actual costs or market demand.

Hospitals all across the country are facing record drug shortages and scrambling to purchase the medicine they need to treat patients. In addition to rationing drugs and delaying treatments, many hospitals have resorted to purchasing drugs from third party drug distributors, operating in a so-called “gray market” outside of the normal pharmaceutical system, in order to provide patients with the medicines they need.

Schumer is also a co-sponsor of Minnesota Senator Amy Klobuchar’s bill, The Preserving Access to Life-Saving Medications Act, that would require drug makers to immediately notify the FDA when a raw material shortage, manufacturing problem, or production decision is likely to cause a drug shortage. Schumer said that while it was important to address the root causes of the drug shortage plaguing hospitals all across the country, unscrupulous drug resellers should not take advantage of these shortages to rip off hospitals and put patients at risk of not getting the medicines they need.

###