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ROCKEFELLER, HARKIN, CUMMINGS INVESTIGATE “FAKE PHARMACIES” BUYING AND SELLING SHORTAGE DRUGS IN THE GRAY MARKET

WASHINGTON, D.C -Today, Senator Jay Rockefeller, Chairman of the Senate Committee on Commerce, Science, and Transportation, Senator Tom Harkin, Chairman of the Senate Committee on Health, Education, Labor, and Pensions, and Rep. Elijah E. Cummings, Ranking Member of the House Committee on Oversight and Government Reform, sent letters requesting documents from licensed pharmacies that are buying up drugs that are desperately needed to treat cancer and other illnesses and are in critically short supply, and are selling these drugs back into the gray market instead of providing them to patients who need them.

Documents obtained during the course of this ongoing investigation indicate that rather than dispensing short-supply drugs to patients pursuant to their licenses, these pharmacies instead transferred these drugs to wholesaler companies owned by the same individuals. These wholesaler companies then sold the drugs back into the gray market, sometimes in violation of state law and at exorbitant markups.

“These pharmacies seem to be taking advantage of their position and the larger shortage of some drugs to make a profit. If true it’s unacceptable. That’s why we are following this paper trail and intend to see whether people with life-threatening illnesses had trouble finding the medications they need because of these companies business practices,” said Rockefeller.

“Americans depend on their local pharmacies for access to life-saving medication,” said Harkin. “It is deeply troubling that these companies would set up sham pharmacies to illegally obtain and inflate the prices of cancer-fighting drugs.”

“It appears that some of these individuals essentially established ‘fake pharmacies’ to obtain drugs that are in critically short supply and are desperately needed to treat patients with cancer and others diseases,” said Cummings. “What remains unclear is exactly how much they profited from this activity.”

Letters were sent to the following companies:

- [LTC Pharmacy and International Pharmaceuticals:](http://democrats.oversight.house.gov/images/stories/2012-03-21.JDR-TH-EEC.to%20Hoppe-LTC%20Pharmacy.pdf)
(<http://democrats.oversight.house.gov/images/stories/2012-03-21.JDR-TH-EEC.to%20Hoppe-LTC%20Pharmacy.pdf>) In this case, an individual obtained a license for LTC Pharmacy to purchase short-supply drugs such as fluorouracil, which is used to treat colon, stomach, breast, and pancreatic cancer, in order to sell them to long-term care facilities and infusion clinics. Instead, the pharmacy transferred these drugs to the individual’s other company, International Pharmaceuticals, within days of the original purchase, and then sold them to other wholesalers in the gray market. After investigating, the North Carolina Board of Pharmacy determined that LTC Pharmacy “is not an operating pharmacy” and that “no dispensing has taken place since opening.” State officials determined that the company “willfully violated NC wholesaler prescription drug distribution laws,” and the licenses for both companies have been surrendered or denied.
- [Priority Healthcare and Tri-Med America:](http://democrats.oversight.house.gov/images/stories/2012-03-21.JDR-TH-EEC.to%20Pesti,%20Szilagy.pdf)
(<http://democrats.oversight.house.gov/images/stories/2012-03-21.JDR-TH-EEC.to%20Pesti,%20Szilagy.pdf>) In this case, a husband and wife team established a pharmacy, Priority Healthcare, in Maryland and a wholesale company, Tri-Med America, in New Jersey. The couple purchased the cancer drug fluorouracil, transferred it to their own wholesaler, and then sold it to another gray market drug company at remarkable price increases, sometimes on the same day as the original purchase. After investigating, the Maryland Board of Pharmacy determined that they “never dispensed any medications” to patients, and neighbors reported that “no one is ever there.” When investigators finally located the husband, he claimed that “he didn’t have childcare” that day, and that his pharmacist “was on vacation that week.”
- [Columbia Med Services and Columbia Medical Distributors:](http://democrats.oversight.house.gov/images/stories/2012-03-21.JDR-TH-EEC.to%20Marshall-Columbia%20Med%20Dist.pdf)
(<http://democrats.oversight.house.gov/images/stories/2012-03-21.JDR-TH-EEC.to%20Marshall-Columbia%20Med%20Dist.pdf>) In this case, an individual obtained a license to operate Columbia Med Services as a pharmacy to serve long

term care facilities, but after purchasing short-supply drugs, the pharmacy transferred them to the individual's other company, Columbia Medical Distributors, within days of their original purchase. Columbia Med Services did not have a wholesaler license when it transferred the drugs to Columbia Medical Distributors, which is required under Maryland law.

Today's letters ask the pharmacies to provide the requested information by April 11, 2012. Separately, additional letters are being sent to 19 other licensed pharmacies requesting information about their role in selling drugs in critically short supply to wholesalers operating in the gray market instead of dispensing drugs to patients.

These letters are part of a broader [investigation](http://democrats.oversight.house.gov/index.php?option=com_content&view=article&id=5445&Itemid=107) (http://democrats.oversight.house.gov/index.php?option=com_content&view=article&id=5445&Itemid=107) into the extent to which "gray market" middleman drug companies may be making substantial profits by engaging in "drug speculation." Cummings [launched](http://democrats.oversight.house.gov/index.php?option=com_content&task=view&id=5553&Itemid=104) (http://democrats.oversight.house.gov/index.php?option=com_content&task=view&id=5553&Itemid=104) the investigation on October 5, 2011, and Rockefeller and Harkin [joined](http://democrats.oversight.house.gov/index.php?option=com_content&task=view&id=5553&Itemid=104) (http://democrats.oversight.house.gov/index.php?option=com_content&task=view&id=5553&Itemid=104) in December.

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