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Big Pharma Pockets \$711 Billion in Profits by Price-Gouging Taxpayers and Seniors

By:

[Healthcare for America Now](#)



April 8, 2013 – The 11 largest drug companies took \$711.4 billion in profits over the 10 years ending in 2012, according to an analysis of corporate filings by Health Care for America Now (HCAN). The global pharmaceutical industry derived much of that profit from price-gouging the Medicare Part D prescription drug program for seniors and people with disabilities. Americans pay significantly more than any other country for the exact same drugs. In 2012 alone, the drug companies' profits reached \$83.9 billion, 62 percent higher than in 2003.

“The drug industry’s profits are excessive as a result of overcharging American consumers and taxpayers,” said Ethan Rome, HCAN’s executive director. “During this period, as millions of Americans struggled to afford their medicines, Republicans in Congress have threatened to cut seniors’ benefits while refusing to consider commonsense measures to get a better deal from drug companies.”

HCAN reviewed the last decade’s financial filings from 11 prescription drug giants: Pfizer, Johnson & Johnson, Novartis, Merck, Roche, Sanofi-Aventis, GlaxoSmithKline, Abbott Laboratories, AstraZeneca, Eli Lilly and Bristol-Myers Squibb. (Click [here](#) for detailed annual earnings.)

Bolstered by its formidable prescription-drug marketing machine, Big Pharma's already huge profits surged to new heights in 2006, the first year of Medicare's Part D prescription drug program – and they've stayed high ever since.

Thanks in part to inflated costs paid by the Part D program, the 11 drug companies booked \$76.3 billion in profits in 2006 – an extraordinary 34 percent increase from the previous year, when Part D was not yet in place. Medicare — the largest purchaser in the world's largest drug market – is prohibited by law from seeking better prices. Simply empowering Medicare to get the same bulk purchasing discounts on prescription drugs as state Medicaid programs already get 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 under constant discussion in Washington – without harming seniors and middle-class families,” Rome said. This proposal has been supported by President Obama and is in the House Democrats' budget plan.

“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,” Rome said. “Our politicians give all kinds of tax breaks and subsidies to big corporations that don't need them, and no industry illustrates that better than Big Pharma.”

Drug makers charge customers in the U.S. – especially the government – vastly more for the same drugs than they do in places like Canada and Europe, where government health plans bargain with the drug companies to protect their citizens. 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.

The drug companies say they must impose higher prices in the U.S. 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, [research shows](#). And despite their rhetoric, drug companies [spend 19 times more on marketing](#) than on research and development.

“Every gift to a special interest, such as allowing Big Pharma to overcharge Medicare, is wasteful spending of scarce tax dollars,” Rome said. “Instead of cutting benefits to seniors and families, we should eliminate indefensible special-interest tax breaks and subsidies for big corporations that don't need them.”

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