



*RunawayRx, a project of the California Association of Health Plans, highlights noteworthy articles and information on the acceleration of prescription drug pricing.*

*A [Bloomberg](#) investigative report exposes a common practice of drug companies using charitable giving as a means of highly profitable, tax-deductible investment. By raising prices on existing drugs and then donating millions of dollars to patient assistance programs, the pharmaceutical industry ensures patients stay on their own brand versions even when lower-cost equivalents are available. Meanwhile taxpayers, employers, and consumers are the ones footing the bill for higher drug spending through Medi-Cal, Medicare and health insurance premiums.*

## **How Big Pharma Uses Charity Programs to Cover for Drug Price Hikes** Benjamin Elgin & Robert Langreth | May 19, 2016

**Bloomberg  
Businessweek**

“In August 2015, Turing Pharmaceuticals and its then-chief executive, Martin Shkreli, purchased a drug called Daraprim and immediately raised its price more than 5,000 percent. Within days, Turing contacted Patient Services Inc., or PSI, a charity that helps people meet the insurance copayments on costly drugs. Turing wanted PSI to create a fund for patients with toxoplasmosis, a parasitic infection that is most often treated with Daraprim.

“Having just made Daraprim much more costly, Turing was now offering to make it more affordable. But this is not a feel-good story. It’s a story about why expensive drugs keep getting more expensive, and how U.S. taxpayers support a billion-dollar system in which charitable giving is, in effect, a very profitable form of investing for drug companies—one that may also be tax-deductible...

**“Drug companies aren’t contributing hundreds of millions of dollars for altruistic reasons.”**

—Joel Hay, Ph.D.  
University of Southern California

“‘It looks great for pharmaceutical companies to say they are helping patients get the drugs,’ says Adriane Fugh-Berman, a doctor who’s studied pharma marketing practices for three decades and is an associate professor of pharmacology and physiology at Georgetown University. The intent of these donations, she says, is to ‘deflect criticism of high drug prices. Meanwhile, they’re bankrupting the health-care system.’

“...Turing’s new price for an initial six-week course of Daraprim is \$60,000 to \$90,000. Who pays the difference? For Medicare patients, U.S. taxpayers shoulder the burden. Medicare doesn’t release complete data on what it pays pharmaceutical companies each year, but this much is clear: A million-dollar contribution from a pharmaceutical company to a copay charity can keep hundreds of patients from abandoning a newly pricey drug, enabling the donor to collect many millions from Medicare.”

Read more at <http://ow.ly/UWP8300nrzE>.

*The California Association of Health Plans’ RunawayRx project sheds light on the acceleration of prescription drug pricing and how it impacts health care affordability, encouraging a route toward sustainable pricing. For more information, please visit [www.RunawayRx.org](http://www.RunawayRx.org) or follow us on Twitter at [@Runaway Rx](https://twitter.com/RunawayRx).*