

Tip Line

What is the Gray Market?

Fake Pharmacies

On **December 15, 2011** Senator John D. Rockefeller IV, Chairman of the Senate Committee on Commerce, Science, and Transportation, and Senator Tom Harkin, Chairman of the Senate Committee on Health, Education, Labor, and Pensions, [joined](#) Rep. Elijah E. Cummings, Ranking Member of the House Committee on Oversight and Government Reform, in his investigation of "gray market" companies that trade in drugs in critically short supply.

- Cummings, Rockefeller, and Harkin sent a joint [letter](#) to Superior Medical Supply, a "gray market" drug company in Colorado that has thus far refused to cooperate with the investigation.

- This is the third in a [series of letters](#) to Superior seeking information about its purchases and sales of paclitaxel, a drug in short supply that is used to treat breast and ovarian cancer. Cummings's investigation found that Superior offered to sell the drug for over \$500 when a typical contract price is \$65 per vial. Cummings also uncovered evidence of Superior's problems with federal and state enforcement agencies.

- The Members also sent a [letter](#) to Hospira, a global pharmaceuticals manufacturer that stopped doing business with Superior after discovering that the company was actively purchasing drugs in critically short supply to sell at highly inflated prices. The Members seek additional information relating to other "gray market" companies Hospira ceased doing business with for similar reasons.

On **November 2, 2011** Cummings sent a second letter to Superior Medical Supply, Inc., requesting documents about the company's purchases and sales of a cancer drug in critically short supply as part of Cummings' broader investigation into so-called "gray market" drug companies. Although Superior initially agreed to cooperate and provide all documents requested by Cummings on October 5, 2011, the company has stopped returning calls and has provided none of the documents at issue.

- [Cummings letter](#) to Superior Medical Supply, Inc. -- November 2, 2011
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Cummings' letter also raised new concerns about Superior's history of problems with federal and state enforcement agencies:

- [In 2008](#) , Superior paid \$200,000 to settle Justice Department allegations that "on at least 58 occasions" the company "maintained inaccurate and incomplete records related to the receipt, delivery, sale, and disposal of controlled substances."
- [In 2009](#), the State of Colorado imposed disciplinary action on Superior for purchasing prescription drugs from unregistered sources.
- [Later in 2009](#), the California Attorney General alleged that the company "purchased, traded, sold or transferred dangerous drugs that they knew, or reasonably should have known, were misbranded."

As part of the investigation on **October 5, 2011** , Cummings sent letters to the following five companies seeking information about how they are obtaining these drugs and, in turn, how much they are making in profits by selling these drugs to hospitals, pharmacies, and health care providers:

- [Allied Medical Supply Inc.](#) offered cytarabine, which is used to treat leukemia in children and adults, for over \$990 per vial, more than 80 times a typical contract price of about \$12 per

vial. A corporate address for this company appears to be the same as the address for Minnuto Publishing, LLC, which sells the "Passive Income For Life" system, allowing users to "create a steady stream of PASSIVE INCOME every single month for the rest of your life with NO MONEY DOWN APARTMENT BUILDINGS."

- [Superior Medical Supply, Inc](#) . offered paclitaxel, which is used to treat breast and ovarian cancer, for over \$500 per vial, more than 7 times a typical contract price of approximately \$65 per vial. The California Attorney General filed a case alleging that the company "purchased, traded, sold or transferred dangerous drugs they knew, or reasonably should have known were misbranded," and that the company "disseminated false, misleading or deceptive statements, claims or images via the internet, to induce the rendering of professional services or furnishing of products."

- [Premium Health Services Inc](#) . offered leucovorin, which is used in combination with the chemotherapy drug fluorouracil to treat advanced colon cancer, for over \$270 per vial, more than 50 times a typical contract price of approximately \$5 per vial.

- [PRN Pharmaceuticals](#) offered fluorouracil, which is used to treat colon, stomach, breast, and pancreatic cancer, for over \$350 per vial, more than 23 times a typical contract price of approximately \$15 per vial.

- [Reliance Wholesale Inc.](#) offered magnesium sulfate, which is used to control life-threatening seizures in pregnant women and to treat magnesium deficiency in patients who receive intravenous feeding, for over \$400 for 25 vials, more than 40 times a typical contract price of approximately \$9 for 25 vials.