

Tip Line

What is the Gray Market?

Fake Pharmacies

On Wednesday, July 25, 2012, Rep. Elijah E. Cummings, Ranking Member of the House Committee on

The bicameral report was [investigation](#) initiated by Cummings and joined by Senator John D. Rockefeller

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Below are the top findings from the joint congressional investigation.

- **Gray Market Drug Companies Charge Exorbitant Prices for Shortage Drugs.** Documents obtained during the investigation demonstrate that drug wholesalers often charge exorbitant

prices to health care providers for drugs facing critical national shortages that are used to treat cancer and other life-threatening illnesses. These inflated prices are often the result of unnecessarily long distribution chains that include significant markups at almost every level.

- ***“Fake Pharmacies” Acquire Prescription Drugs from Authorized Distributors and Sell Them Into the Gray Market.*** The investigation identified a number of businesses holding pharmacy licenses that do not dispense drugs, but instead appear to operate for the sole purpose of acquiring short-supply drugs that can be sold into the gray market.

- ***“Drug Brokers” Recruit Pharmacies to Purchase Drugs for the Gray Market.*** Some gray market wholesalers gain access to shortage drugs by recruiting pharmacies to act as their purchasing agents.

- ***Gray Market Business Practices Are Widespread.*** Pedigree and price information collected for five different short-supply injectable drugs, documenting the activities of 125 different companies, showed similar patterns of leakage and aggressive gray market price

markups.

For all five drugs, units normally costing \$10 to \$20 were regularly marked up to prices of \$200 or more while they traveled through the gray market.

- ***Gray Market Drugs Are Marked Up as They Quickly Pass from Owner to Owner.*** On average, the prescription drugs examined in this investigation were owned by three to four different gray market businesses before being sold to a hospital; most of the drugs traveled through the gray market in five days or less.

- ***Gray Market Companies Sometimes Charge Hospitals Significantly Different Prices for the Same Drug Product on the Same Day.*** Gray market companies sold units of the exact same drug product to different hospitals on the same day at significantly different prices. On the same day, for example, a gray market company sold a drug to a U.S. military hospital for \$315 per unit, and sold the exact same drug product to another hospital for \$215 per unit.