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GROUPS RELEASE REPORT DOCUMENTING DRUG INDUSTRY PRICE GOUGING AND TAX DODGING

Vote on Measure to Stop Big Pharma Price Gouging Expected in House This Week

WASHINGTON, D.C. – As the House of Representatives readies to vote this Thursday on historic legislation that would give Medicare the ability to negotiate lower prescription drug prices, two leading national coalitions are releasing a report documenting the extent of price gouging by the pharmaceutical industry and the wide range of taxpayer subsidies provided to the industry.

The report illustrates the need for legislation to rein in prescription drug prices, such as would begin to happen with the Lower Prescription Drug Costs Now Act (H.R. 3), scheduled for a House floor vote later this week. It also shows why legislation is needed to raise the corporate tax rate and curb myriad tax breaks enjoyed by the pharmaceutical industry.

[Highlights of the report](#) from Americans for Tax Fairness and Health Care for America Now include:

Price Gouging and Profits

- The average retail price of over 100 drugs rose 214% over the last 12 years—nearly 9 times faster than inflation. In 2018, retail prices for 267 popular brand-name drugs rose by 5.8%, more than twice the inflation rate.
- Prices charged (before any rebates) for drugs used in the taxpayer-funded programs Medicare and Medicaid soared eight times the rate of inflation over a recent five-year span.
- The 10 largest U.S. pharmaceutical companies (Pharma Big 10) racked up nearly \$69 billion in total worldwide profits in 2018.
- The annual average profit margin for drug corporations is 15% to 20%—three times more than the average profits of the largest 500 corporations across all other industries.

Tax Dodging and Tax Subsidies

- The Trump-GOP tax law slashed the corporate tax rate on domestic profits by 40%—from 35% to 21%—giving drug corporations a huge windfall. The U.S. tax rate on foreign profits plummeted to about 11%. The Pharma Big 10 were handed a one-time tax discount worth more than \$70 billion on their accumulated offshore profits under the 2017 tax law.
- Corporations profit through taxpayer spending on public health programs. In 2017, \$253 billion was spent on drugs through Medicare Part D, Medicare Part B and Medicaid.
- Drug corporations get rich from federal contracts. Five corporations were paid a total of \$27 billion in federal contracts from 2008 to 2018, much of it for vaccines.

- Big Pharma reaps profits from taxpayer-funded research while setting prices out of reach for patients. The National Institutes of Health spent \$100 billion funding research relied on by all 210 new drugs approved for use in the U.S. between 2010 and 2016.
- Research tax credits fatten Pharma profits. The Research and Experimentation Tax Credit and a tax credit for orphan drug research are worth billions of dollars a year to the industry.
- Government-granted monopolies protect profits. This frees corporations from competition while consumers get price-gouged on brand-name drugs.
- Drug corporations get a tax break for buying all those drug ads to market products. In 2016, the \$6 billion corporations spent on drug ads was deductible when calculating their taxes.

“H.R. 3 would address the Medicare Part D ban on Medicare negotiations that prohibits government from negotiating for lower drug prices for Medicare enrollees and allows Big Pharma to rig the system by avoiding direct negotiations,” said Margarida Jorge, executive director for Health Care for America Now. “For decades, drug corporations have been gouging people on the cost of medicine, so that drug prices are now a leading driver of health care costs and premiums, no matter what age you are or what kind of coverage you have. What’s even worse is that high prescription drug prices are literally threatening the lives of people of all ages who are forced to ration or go without medications because they simply can’t afford them. American taxpayers and families deserve better: our public investment should increase access to affordable medicine for everyone not just enrich corporate profits for Pharma CEOs and shareholders. We need major changes in this industry and H.R. 3 is a great first step.”

“High drug prices aren’t the only way Big Pharma is ripping off the American people,” said Frank Clemente, executive director of Americans for Tax Fairness. “While U.S. drug corporations racked up huge profits last year, the Trump-GOP tax law slashed the corporate income tax rate by 40%—an unprecedented and uncalled for giveaway to giant corporations like Pfizer and Johnson & Johnson. Meanwhile, Medicare and Medicaid spent a quarter of a trillion dollars on drugs last year and taxpayers spent billions more subsidizing the discovery of new drugs and subsidizing the cost of ads, among many other giveaways. Major change is needed.”

H.R. 3, sponsored by House Speaker Pelosi, would allow Medicare to [negotiate lower prices on up to 250](#) of the most expensive drugs over a 10-year period. Those discounts could also apply to private health plans, meaning people with employer-sponsored or individual insurance would have access to cheaper medicine too. Medicare alone would [save \\$500 billion](#) over 10 years, which will be used to expand benefits to include dental, vision and hearing coverage and help low-income seniors afford Medicare. The bill could result in price cuts of 40% to 55% for pharmacy drugs subject to negotiations. [House Republicans oppose the bill](#) as does President Trump.

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