

## Press Release

Tuesday, October 31, 2017

# AG Swanson to Sue a Dozen Pharmaceutical Companies Over Scheme to Illegally Drive Up Prices of Generic Drugs

Attorney General Lori Swanson is moving to sue a dozen pharmaceutical companies for engaging in a wide-ranging scheme to illegally drive up prices of widely-used generic medicines that treat common ailments such as arthritis, asthma, high blood pressure, infections, glaucoma, diabetes, anxiety, and seizures.

“At a time when many patients can’t afford their prescriptions, these companies colluded to jack up the prices even higher,” said Attorney General Swanson.

The price of a drug named in the lawsuit that treats glaucoma and seizures increased in price from 58 cents per tablet in 2013 to \$2.17 per tablet in 2014, a 275% hike. The price of an arthritis medication named in the lawsuit jumped from \$32 in 2012 to \$108 in 2016, for an increase of 230%. A third drug named in the lawsuit used to treat anxiety increased in price from \$1.10 per tablet in 2013 to \$3.87 per tablet in 2014, a 253% increase.

The lawsuit alleges that each of the 12 companies named in the suit colluded with one or more of the other defendants named in the suit to inflate the prices of their medications. The new defendants are: Actavis Holdco U.S., Inc., Actavis Pharma, Inc., Ascend Laboratories, LLC, Apotex Corp., Dr. Reddy’s Laboratories, Inc., Emcure Pharmaceuticals, LTD., Glenmark Pharmaceuticals, Inc., Lannett Company, Inc., Par Pharmaceutical Companies, Inc., Sandoz, Inc., Sun Pharmaceutical Industries, Inc., and Zydus Pharmaceuticals. In 2016, Attorney General Swanson sued six other pharmaceutical companies for similar practices.

Over the past several years, the companies developed a variety of price-fixing schemes carried out through text messages, e-mails, phone calls, and meetings. For some drugs, the companies agreed to raise their prices. For other drugs, the companies agreed to divide up the market by refusing to bid for certain accounts or by providing bids that they knew would not be successful. The lawsuit alleges that these schemes are part of a broader, overarching agreement among generic manufacturers to avoid competing on prices and for market share.

In many industries, distributors serve as a check against collusion by demanding that manufacturers compete against each other to offer the best price. But in the pharmaceutical industry, manufacturers offer rebates and other incentives to distributors through which the middlemen make more money if manufacturers increase their prices. The suit alleges that the pharmaceutical companies took advantage of this dynamic to raise prices with little scrutiny from the market.

“Manufacturers work with distributors to develop contracts that incentivize higher prices, knowing that the higher costs will ultimately be passed along to patients who have no say in the price they pay for medicines,” said Swanson.

Prescription medications now account for 17 percent of every healthcare dollar in the United States, the fastest growing component of health care expenses. Generic medicines are supposed to be cheaper than brand name drugs, but the cost of the 50 most popular generic medications increased more than 370 percent from 2010 to 2014, according to industry studies. About 88 percent of all prescriptions in the U.S. are for generic drugs, and the industry had \$74 billion in sales in 2015.

This filing is an extension of an [antitrust lawsuit that Attorney General Swanson filed in 2016](#) against six pharmaceutical companies: Heritage Pharmaceuticals, Inc., Mayne Pharma (USA), Inc., Citron Pharma, LLC, Aurobindo Pharma USA, Inc., Teva Pharmaceuticals USA, Inc., and Mylan Pharmaceuticals, Inc., for colluding to drive up the prices of antibiotic and diabetes medicines. 47 Attorneys General are participating in the litigation.

The lawsuit alleges that a Minnesota-based salesperson for Heritage Pharmaceuticals, Inc. was a significant player in the nationwide price-fixing and market allocation scheme. Based in Minnesota, she organized dinners and meetings among employees of competitors when they visited the state. The dinners and meetings led to the exchange of information about the competitors' business plans and ultimately led to agreements on setting prices and/or allocating the market so as to avoid competing on price.

The litigation seeks injunctive relief, damages, civil penalties, and disgorgement of any profits from the companies' illegal actions.

In the new legal filing, the attorneys general took the first step in filing a lawsuit against the 12 new companies by asking the federal court in Pennsylvania to allow them to amend the lawsuit to include the parties and allegations.

## Related

### Attorney General Swanson Sues Prescription Drug Companies Over Generic Drug Price-Fixing Scheme

Attorney General Lori Swanson today filed an antitrust lawsuit, along with 19 other states, against six major prescription drug manufacturers for colluding to fix the prices of widely-used generic diabetes and antibiotic medicines.

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