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FRAUD

Prescription Drug Corruption Rampant Among Florida Wholesalers

BETTE HILEMAN, C&EN WASHINGTON

A report released by Florida's grand jury earlier this year describes in detail what appears to be widespread fraud and corruption among drug wholesalers in the state. The magnitude of the problem in Florida was a factor in convincing the Food & Drug Administration to begin its national counterfeit drug initiative.

The Florida interim report concludes that "an alarming percentage of the drugs flowing through the wholesale market have been illegally acquired"—that is, "stolen from shipments, pharmacies, clinics, and hospitals; purchased on the black market from recipients and health care professionals who are defrauding insurance companies or Medicaid with bogus prescriptions; or illegally imported from overseas." All of these acts are defined as "drug diversion."

The grand jury based its report on testimony from representatives of large and small wholesalers, drug manufacturers, officials with the Florida Department of Health, and other agencies such as the Bureau of Statewide Services Investigators.
There are 477 drug wholesalers based in Florida and nearly 1,000 outside the state that are licensed to sell drugs in the Florida market. The report notes that obtaining a wholesale drug license in Florida involves minimal background checks and no educational requirements. Only a bond of $200 and fees amounting to $700 are needed. The applicant must certify that he or she has not been convicted of a felony in the specific county where the business will be based.

Some wholesalers have been issued permits despite one or more felony convictions and have sold drugs throughout the state. "Many of the wholesalers in Florida are unqualified, inexperienced, irresponsible, and incompetent to properly handle, store, or deal in pharmaceuticals," the report says.

Florida promulgated a "pedigree" rule in 1996, requiring that documents tracing the sales of all drugs back to the manufacturer must be provided to a prospective buyer before transactions take place. But the state did not enforce the rule. As a result, many transactions among secondary wholesalers in Florida involve little or no paperwork, according to the report. Receipts and invoices are often written on scraps of paper. Some wholesalers do not even know from whom they purchased their stock. Florida enacted a new pedigree rule last March, but it applies to only 31 drugs out of more than 14,000 on the market. In contrast, oyster wholesalers and even metal recyclers must provide pedigree papers to buyers.

According to the report, corrupt secondary wholesalers in Florida have dealt with millions of dollars' worth of prescription drugs that have been determined to be counterfeit. The counterfeiters use many methods—relabeling expired drugs with future expiration dates; overstating the strength of a drug by as much as 2,000%; or substituting a less expensive drug, such as insulin, for an expensive one, such as human growth hormone.

Though the exact amount of counterfeit pharmaceuticals in Florida is unknown, "we believe the percentage is undoubtedly higher among the more expensive injectable pharmaceuticals often used to treat patients suffering from cancer, AIDS, or undergoing transplants," the report says. Counterfeiters "through greed and malice expose our most vulnerable citizens to death or grave injury every day," it states.

Counterfeiters often make profits that rival those made in narcotics trafficking, the grand jury report claims, but the potential penalties for those convicted of counterfeiting are far lower. For example, 11,000 boxes of counterfeit Epogen (used to treat anemia in patients with chronic renal failure) were relabeled as Procrit, which is used to boost the immune system of cancer patients and is supposed to have a potency 20 times higher than Epogen. These bottles of fake Procrit earned a
profit of $28 million for the counterfeiters. But selling adulterated drugs is only a misdemeanor in Florida.

The grand jury report concludes that the "wholesale pharmaceutical industry in Florida has been corrupted by the infiltration of a criminal element which is making a fortune while tainting our drug supply." It recommends that the Florida Department of Health sharply increase the number of inspectors from a total of nine and enforce the pedigree paper law for all drugs sold in the state.

Pedigree papers should be provided in sales transactions all the way from the manufacturer to the dispenser, and violations of these laws should be penalized as felonies, the report says. It also wants the health department to be granted authority, which it does not now have, to immediately seize and destroy counterfeit drugs that pose a danger to public health.