

A GLOBAL PROBLEM!

NOT JUST A CHINESE ONE!

GlaxoSmithKline China executives face bribery probe

Ministry says executives at China subsidiary of GlaxoSmithKline paid hospitals, doctors and influential groups to prescribe their brands of medication.

Friday, 12 July, 2013.



China's police say employees of drug manufacturer GlaxoSmithKline bribed doctors and hospitals to prescribe medications.

Senior executives of a Chinese subsidiary of British drug giant GlaxoSmithKline (GSK) have confessed to "serious economic crimes", the Ministry of Public Security said.

In the past few days, the ministry has investigated top managers of GSK's mainland unit, GlaxoSmithKline (China) Investment, in Shanghai, Henan's capital Zhengzhou, Hunan's capital Changsha and other Chinese cities, it said on its website.

After interrogation, the suspects fully confessed their crimes. The evidence substantially proves some senior executives of GSK China Investment and senior executives of some travel agencies were involved in serious commercial bribery and tax crimes

"There are investigations in Beijing, Shanghai, Zhengzhou and Changsha," a spokeswoman for the company confirmed.

The ministry said it had detained employees of GSK China Investment as well as suspects at some travel agencies.

"After interrogation, the suspects fully confessed their crimes," the ministry said. "The evidence substantially proves some senior executives of GSK China Investment and senior executives of some travel agencies were involved in serious commercial bribery and tax crimes."

The ministry added: "Public Security has found that in recent years, GSK China Investment used various channels like travel agencies to bribe without restraint government officials, drug associations, medical foundations, hospitals and doctors."

The firm engaged in direct bribery as well as indirect bribery through its sponsorship of various activities, the ministry said.

Some foreign pharmaceutical firms sponsor the attendance of mainland Chinese at medical events in other countries, where the companies pay for hotels, restaurants and travel, a salesman in a US pharmaceutical firm's Shanghai office said.

"In China, we have to bribe senior doctors and senior officials," said the drug salesman, who requested anonymity. "Otherwise, you lose out."

In addition, some executives at GSK China Investment had used false value-added tax receipts, fake receipts from travel agencies for trips and fake general receipts, the ministry said.

"The number of people implicated in this case is many, the duration of the crimes is extensive, the money involved is huge, and the nature of the crimes severe," it said.

Some marketing heads in drug companies have falsified invoices to get cash to bribe senior officials at hospitals, medical foundations and industry associations, the drug salesman said.

An employee at a medical equipment company in Shanghai, who also requested anonymity, added: "It's widely believed the investigation was sparked by a tip-off from within GSK. This whistle-blower is probably a high-level manager who knows the company well, has access to confidential material and has recorded all these documents."

Britain's biggest drug maker did not know it was under criminal investigation in China until police stormed its Shanghai offices in late June. When news filtered back to London, executives were non-plussed and scrambled to try to get details of what was going on.

Now there is little doubt GlaxoSmithKline is embroiled in one of the biggest criminal inquiries into bribery ever conducted in China and its executives in the UK capital are poring over the details.

Like any approaching tidal wave, it started with just a few ripples. The first came in February, when Chinese authorities called around the world's drug giants demanding information about their pricing practices in the country.

At the same time, GSK was dealing with a separate investigation prompted by whistle-blower claims that sales executives were plying Chinese doctors with extravagant gifts in return for prescribing its products.

GSK was confident the allegations were unfounded. When they became public in June, it issued a statement revealing the "significant resources" it had used to "thoroughly investigate" the claims. "GSK wants to reiterate to its patients, staff and partners in China that these allegations are false," it declared.

It wasn't long before events took a darker turn. Shortly after the raid on GSK's China headquarters, a statement came from authorities in the regional city of Changsha announcing that certain individuals were under investigation for "economic crimes".

Since then, four of GSK's senior executives have been arrested by Chinese police without formal charges. Several more are under house arrest, and one British executive is forbidden from leaving the country.

One of the detainees was paraded on state television last week to make a public "confession" to bribery. The other three have allegedly admitted to corrupt practices during police questioning.

At the same time, a chilling message delivered by Beijing's top official for economic crime, Gao Feng, left the rest of the industry in no doubt that they too could face the same treatment.

"Frankly speaking, from our investigation we have also found some clues of illegal money transfers involving other foreign companies. Whether they have been involved in these allegations we are not so sure now. Probably you better ask them yourself. One question is enough: Can you sleep well at night?"

Eugene Chen, compliance and investigations partner with Hogan Lovells in Shanghai, expressed surprise at the magnitude and aggressiveness of the government's approach.

"There's been a lot of [civil action] in this area, but we have not seen a large-scale criminal investigation," he said. GSK stands accused of widespread bribery and corruption in China and police say they have the evidence to prove it.

This is yet to be seen, but the accusations have been spelled out by the Chinese authorities. GSK sales representatives have allegedly paid out up to 3bn renminbi (£320m) in bribes to every level of the Chinese healthcare system using the country's network of 700 so-called travel agents, the local term for conference organisers.

The practice, say the police, has won the company more sales, clinched higher prices, and has been going on since 2007. The accusations go further still: GSK staff are alleged to have accepted bribes and even sexual favours from travel agents desperate for the financial rewards associated with facilitating the illicit payments.

GSK is on red alert. It has dispatched its head of emerging markets with a team of internal auditors and lawyers to the country to carry out an investigation. The evidence uncovered so far appears to give some support to the allegations. Ernst & Young has also been hired to conduct an independent inquiry.

[The Daily Telegraph disclosed yesterday](#) that Sir Andrew Witty, the chief executive, is preparing to admit to major compliance failings in China when he faces investors this week at its second-quarter update. He also plans to travel to China to repair relations and try to support the state's attempts to clean up the drug market.

The company has also halted the use of travel agencies and is looking at all third party relationships in the country. "GSK shares the desire of the Chinese authorities to root out corruption. These allegations are shameful and we regret this has occurred," read the statement issued by GSK following the detailed list of allegations.

GSK said it believed the alleged fraud only involved a small fraction of the 3bn renminbi figure provided by the Chinese authorities. It also questions whether its staff dealt with hundreds of travel agents as described by the police. GSK's own inquiry is focusing on its list of 25 approved partners.

Companies and individuals found guilty of economic crimes under Chinese law face serious financial penalties and the claw-back of unlawful gains. Prison sentences are not just reserved for the individuals involved – senior managers are also liable for fines and incarceration.

"I suspect that the Chinese government will now seek some compromises from GSK, in terms of how it operates. Then it is down to GSK to make the decision whether it can play this game or has to cut its losses," said Dr Kerry Brown, head of China Studies at the University of Sydney.

Beijing is desperate to gain control over what it considers unreasonable drug and vaccine prices at a time when it is trying to guarantee accessible health care for its entire population. GSK and others supply drugs to China which are otherwise unattainable. Unless the government flexes its muscle on pricing, it will be faced with a runaway health-care bill for hospitals that are already overcrowded. The newly installed politburo under Xi Jinping is also on a mission to crack down on corruption in a bid to make a clean break from its predecessor.

Doctors are poorly paid in the country, making them susceptible to payments by pharmaceutical companies and others in a culture where business is built on fostering relationships. “In China the situation is ripe for potential compliance violations,” said Chen. “Business courtesies are common practice and it’s hard to draw a clear line where something becomes an improper business inducement.”

There is a well-known Chinese proverb which advocates “killing the chicken to scare the monkey” – making an example of one to change the behaviour of many.

GSK could well be China’s chicken, though there are tentative signs the investigation will go further as has been threatened. Belgian drug maker UCB admitted it had been visited by Chinese authorities seeking information on compliance last week. A number of other pharmaceutical giants, including AstraZeneca, Roche and Novartis, have said they have not been contacted by investigators.

For now, the spotlight remains firmly on GSK, which faces serious questions over governance at its China business. Resolving those will involve protracted and sensitive negotiations with top officials in Beijing. GSK may also have to endure a lengthy criminal procedure which could result in a hefty financial hit, as well as reputational damage.

But none of this is likely to drive the company away. China is predicted to overtake Japan to become the second-biggest pharmaceuticals market in the world by 2016. The country is also pouring vast sums of money into its life sciences sector.

The fallout from these allegations will be a bitter pill for GSK to swallow. But the company knows it is now time to make amends.

Ex pharmaceutical rep Gwen Olsen speaks out about pharma and their real motivations and lack thereof to cure, heal and care for you or your best interests. Only to cure the space in their pockets not yet filled with your cash. Click on the link below and watch the video, if it does not open then copy and paste it into your browser.

<http://www.youtube.com/watch?v=UIm8fHxqUAM&feature=g-vrec>

Spare 12 minutes of your time right now and watch these two videos if you really want to know how important you are to the pharmaceutical companies and to many doctors.

Copy and paste these into YouTube.

[GlaxoSmithKline \(GSK\) Fined \\$3 Billion](#)

[Why doctors are more dangerous than guns](#)

GlaxoSmithKline promotes drugs for unapproved use

By: Elespectador.com Mon, 07/02/2012

The company will have to pay \$3,000 million.

GlaxoSmithKline LLC will pay 3,000 million dollars and will plead guilty to promoting two popular drugs for unapproved use and for failing to reveal important safety information about a third drug, said the Justice Department.

It was the largest settlement in history of **the United States**, derived from a fraud in the **health system**.

Along with the criminal case is a **civil settlement** in which the government said the **improper marketing** of the company including **physicians being offered expensive hotel vacations**, hunting trips in Europe, well-paid lecture tours and even tickets to a Madonna concert. **The combined penalty, civil and criminal**, some 3,000 million dollars will be the **largest penalty** ever paid by a pharmaceutical company, said **James M. Cole, Deputy Attorney General of the United States**. The corporation also agreed to be monitored by **government officials** for five years to try to ensure compliance within the company, said Cole. "Let me be clear, we will not tolerate fraud in the health system," Cole said in a press conference in the **Department of Justice**. He did not say whether a company executive was under investigation. **The pharmacist pleaded guilty** and the sentence must be approved by a **federal court in Massachusetts**. "For too long we have heard that the pharmaceutical industry believes that these agreements are just the cost of doing business, he told a press conference **Stuart F. Delery, chief of the civil division of the Department of Justice**. "This government is committed to using all available tools to defeat health care fraud." Delery said: "Today's resolution not only seeks to punish crime and recover the money of taxpayers, but to ensure future compliance with the law by GSK." He noted that a similar agreement recently with **Abbott Laboratories** also included monitoring compliance with the law.

Pfizer to pay \$1.3 billion criminal fine for misbranding its drugs

NaturalNews.com , Monday, October 19, 2009 by: Mike Adams, the Health Ranger,
NaturalNews Editor

In the largest criminal fine ever levied against any drug company in the world, a unit of U.S.-based Pfizer, Inc. was sentenced to pay \$1.3 billion in criminal fines and revenue forfeiture. It's all part of a \$2.3 billion settlement announced by the Justice Department. The case centers around Pfizer's criminal "off-label marketing" of four drugs, including the painkiller Bextra. After whistleblowers filed lawsuits in three states, the U.S. Justice Department took an interest in the case and prosecuted [Pfizer](#) for criminal acts.

In the settlement, Pfizer admitted to a felony crime and agreed to pay \$2.3 billion in fines and other fees. The investigation of Pfizer reportedly turned up evidence that Pfizer engaged in **kickback payments to doctors** for nine [drugs](#), including Viagra and Lipitor.

Part of the reason the penalty against Pfizer was so large is because the company was considered a "repeat offender" in promoting drugs for unapproved uses (which is a violation of federal law).

Off-label marketing makes a mockery of modern medicine

So-called "off-label" marketing of drugs is rampant in the [pharmaceutical industry](#). Although the FDA, [drug companies](#) and many conventional doctors claim the drug industry is guided by a "gold standard" of scientific scrutiny, the truth is that **pharmaceuticals are routinely marketed and prescribed for health conditions for which they have never even been studied...** much less actually approved by [the FDA](#). The fact that this continues today makes a mockery of any "scientific credibility" the pharmaceutical industry claims to possess.

Drug companies take advantage of this gaping hole in regulatory oversight by getting their drugs approved by the FDA for one health condition, then heavily promoting it for numerous unrelated conditions. A drug approved for high blood pressure, for example, could be openly

marketed for diabetes or Alzheimer's [disease](#) even though there is no evidence whatsoever showing the drug to be either safe or effective for such conditions.

The same is true with the intended demographics of pharmaceuticals: Drug companies often get their drugs approved for adults, then they market those drugs to children even though the drugs have never been tested with children.

The result is a pharmaceutical industry that *appears* to be highly regulated, but isn't. Virtually any drug can be pushed for any disease for almost any reason -- all with virtually no oversight by the FDA. In fact, in this Pfizer case, even with the Justice Department filing criminal charges against Pfizer, the FDA has stood by and done absolutely nothing to prevent such actions from being repeated in the future by Pfizer or another drug company.

Sources for this story include:

Bloomberg

<http://www.bloomberg.com/apps/news?...>

Reuters

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