

## Forbes / Pharma &amp; Healthcare

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The Little Black Book of Billionaire Secrets

## Inside The Secret World Of Drug Company Rebates



Matthew Herper, FORBES STAFF

*I cover science and medicine, and believe this is biology's century.* [FULL BIO](#)

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Caveats: there are other factors that could be affecting the difference, including if drug wholesalers are buying up extra inventory of a medicine, temporarily boosting sales. But generally speaking, I think we can assume that the bulk of these differences are from the rebates.

In the table in this story, I've calculated the difference between the IMS numbers and the numbers reported to the S.E.C. If U.S. sales were not immediately available, I took them from reports from sell-side analysts. The resulting figures show how greatly the numbers vary and give some hints as to why.

In the face of sudden generic discounts, [Pfizer](#) PFE -1.18% seems to have given a lot of rebates to keep Lipitor on insurance company formularies, giving up 35% of gross sales, up from 26% last year. (This matches up with [reporting I did here](#); promotion of Lipitor is [finally grinding to a halt](#).) By contrast, Bristol-Myers Squibb and Sanofi-Aventis, the makers of Plavix, only gave 2.6% of sales in rebates; Plavix was until now the only medicine of its kind, and competitors from Eli Lilly and AstraZeneca have been unable to unseat it.

The most stunning discount is for Nexium, the purple pill for heartburn sold by AstraZeneca and derided by many as the perfect example of a me-too drug. Astra is giving back 60% of gross sales, most likely in the form of rebates. IMS lists Nexium as the third-best-selling drug in the country based on gross sales of \$6.2 billion. But AstraZeneca reports U.S. Nexium sales of just \$2.4 billion, putting it more on a par with Eli Lilly's cancer drug Alimta than behemoths like Lipitor and Plavix.

Why? As much as people rail against me-too drugs, being a me-too med is actually bad for the company, too. Insurers may be using the fact that they could direct consumers to generic Protonix or over-the-counter Prilosec or Prevacid as a bargaining stick, forcing Astra to cede ground.

Medicines in the same category seem to have the same level of discount. Astra's Crestor, a cholesterol drug that competes with Lipitor, seems to be giving 30% in rebates. The antipsychotics Seroquel (sold by AstraZeneca) and Abilify (from Otsuka & Bristol) give rebates of 27% and 24%, respectively.

AstraZeneca spokeswoman Stephanie Andrzejewski wrote via email that the company would not "discuss or disclose specifics around rebates" for Nexium. She added: "What I can tell you is that AstraZeneca is committed to helping people get the medicines they need and we understand our medicines won't do patients any good if they can't access them." She said it would be ACRUX DDS PTY LTD. et al. to say AstraZeneca gave a 60% discount "across the board" – which is true. That app EXHIBIT 1580

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average discount.

The good news here is that, in the world of health insurers and drug giants, the free market is having an effect on drug prices. The bad news is that you have to be participating in this market by being insured in order to get those reduced rates. People who walk in off the street pay full price.