

came under fire in the fall of 2015. In one example, Valeant sold a drug called Duexis that simply combined the active ingredient in Motrin with the active ingredient in Pepcid, but charged \$1,500 for the privilege of a monthly prescription.<sup>16</sup> Prescribing the two drugs separately would cost no more than \$40, but Valeant had increased the price of its combination drug by about 1,000 percent in the four years since the drug was introduced.<sup>17</sup> Notably, Valeant also pushed its main competition out of the market. According to the *New York Times*, Valeant acquired Vimovo – a simple combination of naproxen (Aleve) and esomeprazole (Nexium) – and then immediately raised the price to make it equal to that of Valeant’s drug.<sup>18</sup> Around the same time as these stories broke, federal prosecutors announced an investigation of Valeant, for reasons discussed later in this book.

Criminal investigations were numerous that fall, with the most notable being the arrest of Shkreli early in the morning of December 17, 2015. Federal authorities charged Shkreli with multiple counts of securities fraud and conspiracy, reaching back to his tenure at MCMB Capital and Retrophin, a previous pharmaceutical company.<sup>19</sup> Allegedly, Shkreli had taken money from Retrophin to pay back investors who lost money at MCMB.<sup>20</sup> (The FBI also made sure to inform the public that the Wu-Tang Clan album had not been seized – sorry, Clan fans.)<sup>21</sup> Shkreli resigned from Turing the next day, and then made a famous appearance testifying in front of the House Committee on Oversight and Government Reform in February 2016. With charges pending against him, Shkreli answered every question, no matter how trivial, with a knowing smirk and the same response: “On the advice of counsel, I invoke my Fifth Amendment privilege against self-incrimination and respectfully decline to answer your question.”<sup>22</sup> The spectacle lasted no more than ten minutes.

While Shkreli smirked his way through his congressional hearing, attendees at the 2016 J. P. Morgan Conference were far more worried. Big Pharma and its perceived excesses were back in the spotlight, and attention was shifting to a core pharma revenue strategy – simply raising prices. Price increases had occurred across the board, on everything from gallstone treatments to, stunningly, the drug used for

<sup>16</sup> Andrew Pollack, *Drug Makers Sidestep Barriers on Pricing*, N.Y. TIMES (Oct. 19, 2015), [www.nytimes.com/2015/10/20/business/drug-makers-sidestep-barriers-on-pricing.html?smid=pl-share&\\_r=0](http://www.nytimes.com/2015/10/20/business/drug-makers-sidestep-barriers-on-pricing.html?smid=pl-share&_r=0).

<sup>17</sup> *Ibid.*

<sup>18</sup> *Ibid.*

<sup>19</sup> Stephanie Clifford & Matthew Goldstein, *Shkreli Indictment Portrays Small-Time Fraud*, N.Y. TIMES (Dec. 17, 2015), <http://nyti.ms/1mbrPVh>.

<sup>20</sup> Additional charges were made in June 2016. Dan Mangan, ‘Pharma Bro’ Martin Shkreli Pleads Guilty to New Charges, CNBC (Jun. 6, 2016), [www.nbcnews.com/business/business-news/pharma-bro-martin-shkreli-pleads-not-guilty-new-charge-n586676](http://www.nbcnews.com/business/business-news/pharma-bro-martin-shkreli-pleads-not-guilty-new-charge-n586676).

<sup>21</sup> FBI New York (@NewYorkFBI), TWITTER (Dec. 17, 2015, 3:12 PM), <https://twitter.com/NewYorkFBI/status/677597263540191232>.

<sup>22</sup> U.S. House Committee on Oversight and Government Reform, *Developments in the Prescription Drug Market: Oversight*, YOUTUBE (Feb. 4, 2016), [www.youtube.com/watch?v=BPPerZLjp4M](http://www.youtube.com/watch?v=BPPerZLjp4M).