MICHIGAN
ROSS SCHOOL OF BUSINESS

WDI PUBLISHING

case 4-367-485
April 19, 2022

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When is Pricing Unethical? Pharmaceuticals, Rideshares, Soft Drinks, and Travel

OxyContin® was an opioid manufactured by Purdue Pharma and prescribed by doctors to manage severe pain.[1] In a nationwide scandal, many patients were prescribed more of it than necessary and for ailments where it was less suited. In a remarkable example of its marketing, the consulting firm McKinsey came up with a rebate scheme for Purdue "turbocharging" sales, the *New York Times* reported.[2]

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In this arrangement, Purdue would pay CVS and other pharmacies a rebate of $14,810 if a customer overdosed on OxyContin that they had prescribed, the *New York Times* reported. In a 2017 presentation, according to records filed in court "on behalf of multiple state attorneys general, McKinsey laid out several options to shore up sales. One was to give Purdue's distributors a rebate for every OxyContin overdose attributable to pills they sold."[3]

Both Purdue Pharma and CVS made money from sales of opioids. However, if a customer overdosed and/or died, the prescribing doctor could be sued, but typically CVS could not. So why would this rebate be offered by Purdue Pharma to CVS? One possible answer was quite ugly: If the customer died of an overdose, CVS lost future revenue because the customer would not be buying more opioids. So, according to this theory, the $14,810 rebate would incentivize CVS to unhesitatingly sell OxyContin.

The decision framework for a CVS pharmacist was to (a) be extra-cautious about selling opioids, so as to avoid a possibly fatal overdose, or (b) give priority to reducing the customer's pain, despite the risk. Addition of the rebate would change the (b) part of the framework to "reduce the pain and bring in more money."

Published by WDI Publishing, a division of the William Davidson Institute (WDI) at the University of Michigan.