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Western Pharma Giants Paid Millions to Russian Distributors Linked to Fraud, Whistleblower Report Says

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A hospital in Moscow. **Sergei Vedyashkin / Moskva News Agency**

Four major Western pharmaceutical companies paid tens of millions of dollars in unusually high bonuses to Russian middlemen to supply cancer drugs to state hospitals, according to whistleblower documents submitted to U.S. financial regulators.

The payments by Merck, Eli Lilly, Novartis and AstraZeneca allegedly helped fund a corruption scheme that kept drug prices high and limited competition across Russia's public healthcare system.

The pharmaceutical companies were alleged to have provided "excessive" sales bonuses and rebates ranging from 15% to 35% to Russian distributors, with the international average rarely exceeding 10%.

The whistleblower report and other details were laid out in a joint investigation published

Monday by the International Consortium of Investigative Journalists (ICIJ), the exiled Russian news outlet Proekt and the Swiss publication Republik.

According to the report, Merck's Russian distributor R-Pharma won $360 million in state contracts for the cancer drug Keytruda, winning 2,400 out of nearly 5,000 bids between 2020 and 2022. Procurement data reportedly showed 96% of the bids had no competitors, allowing sanctioned oligarch Alexei Repik's R-Pharm to maintain a virtual monopoly on Keytruda supplies to state hospitals.

R-Pharm CEO Vasily Ignatyev denied "any involvement" in improper payments or non-competitive practices, telling ICIJ that its commercial rebates were legitimate and defending Russia's state auction procedures as transparent.

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Separately, Eli Lilly was alleged to have budgeted a 34% bonus for sales of its advanced cancer drug Cyramza in 2022. The year before, Moscow's health department awarded more than $5 million in Cyramza contracts to distributor Pharmstandard, the sole bidder for most of those contracts.

In another example, AstraZeneca's drug Tagrisso was sold to Russian state hospitals at or above its official list price of at least $3,000 per box after single-participant bids in 95% of state tenders between 2020 and 2023. The company used distributor Pharmimex, which won $114.3 million out of nearly $129 million in state contracts for another drug, Koselugo, between 2022 and 2024 without competition.

AstraZeneca, Merck and Eli Lilly either declined to comment or did not respond to requests from ICIJ for comment.

Novartis, a Swiss multinational pharmaceutical corporation, was alleged to have identified examples of bid-rigging in government auctions for the drug Kisqali by distributors like Pharmimex and their affiliated front companies.

A Novartis representative said the company conducted an internal investigation into the allegations without disclosing its findings.

While the whistleblower reports do not contain direct financial records of bank transfers between distributors and officials, they allege that Western drugmakers were "willfully blind" to how their profit margins were being used.

U.S. Foreign Corrupt Practices Act holds parent companies legally responsible for ignoring signs that third-party distributors are using company margins to fund kickbacks.

The SEC and the Justice Department both declined to comment on the filings to ICIJ.

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