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JUSTICE NEWS

Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE

Thursday, April 26, 2012

McKesson Corp. Pays U.S. More Than \$190 Million to Resolve False Claims Act Allegations

McKesson Corporation has agreed to pay the United States more than \$190 million to resolve claims that it violated the False Claims Act by reporting inflated pricing information for a large number of prescription drugs, causing Medicaid to overpay for those drugs.

Stuart F. Delery, Acting Assistant Attorney General for the Justice Department's Civil Division; New Jersey U.S. Attorney Paul J. Fishman; and Daniel R. Levinson, Inspector General of the U.S. Department of Health and Human Services announced the settlement today.

The government alleges that McKesson, a large drug wholesaler, reported the inflated pricing data to First DataBank (FDB), a publisher of drug prices that are used by most state Medicaid programs to set payment rates for pharmaceuticals.

The Medicaid program is funded jointly by the federal and state governments. This settlement resolves claims based on the federal share of Medicaid overpayments caused by McKesson's conduct. In addition to the \$190 million – which represents the \$187 million settlement and interest – state governments can separately negotiate with McKesson to resolve claims based on the states' shares of the Medicaid overpayments.

The drug pricing data at issue here relates to the "Average Wholesale Price" (AWP) benchmark used by Medicaid and other programs to set payment rates for pharmaceuticals. The settlement announced today is based on the United States' allegations that McKesson reported inflated mark-up percentages to FDB for a wide variety of brand name drugs, causing FDB to publish inflated AWP's for those drugs.

To date, federal and state governments have recovered more than \$2 billion from drug manufacturers that were alleged to have reported inflated AWP information to FDB and other publishers of drug prices.

"This case demonstrates the Department of Justice's commitment to ensuring that Medicaid funds are expended appropriately," said Acting Assistant Attorney General Delery. "Companies that report pricing data that affect government payment rates, whether those companies are manufacturers, wholesalers, or otherwise, are required to report that data accurately."

"This is the latest example of a corporation's intentionally manipulating the complicated system by which drug purchases are reimbursed," said U.S. Attorney Fishman. "We have no tolerance for those who take advantage of that system to bring in more business by falsely increasing reimbursements to retailers."

"This settlement with McKesson highlights the Office of Inspector General's commitment to protecting against artificially inflated drug prices," said Inspector General Levinson. "Our analyses of drug price reporting practices – including the use of 'Average Wholesale Price' – have consistently identified excessive Medicare and Medicaid payments resulting from these practices."

U.S. Attorney Fishman credited special agents of the U.S. Department of Health and Human Services Office of Inspector General, under the direction of Special Agent in Charge Thomas O'Donnell of the New York Regional Office, for the investigation leading to today's settlement.

The government is represented by Assistant U.S. Attorney Alex Kriegsmann of the U.S. Attorney's Office Civil Division in Newark and Jeffrey A. Toll and Justin Draycott of the U.S. Department of Justice's Civil Division.

McKesson does not admit to any liability regarding the claims settled by this agreement.

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Civil Division

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