

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General
October 18, 2012



**McKESSON AGREES TO PAY STATES OVER \$151 MILLION TO
RESOLVE FALSE CLAIM PRICING CASE**

Inspector General Charles J. Willoughby announced today that the District of Columbia, as part of a national settlement against the McKesson Corporation, has resolved allegations that McKesson violated the federal False Claims Act and various state false claims acts, by reporting inflated pricing data for a large number of prescription drugs, causing the state's Medicaid program to overpay for those drugs. Medicaid is funded jointly by the federal government and the District of Columbia.

The drug pricing data at issue in this settlement concerns the "Average Wholesale Price" (AWP) benchmark used by most states, including D.C., to set pharmacy reimbursement rates for pharmaceuticals dispensed to D.C. Medicaid beneficiaries. It was alleged that McKesson, one of the largest drug wholesalers in the country, reported inflated AWP pricing data to First Data Bank (FDB), a publisher of drug prices, thereby inflating many AWP's that are used by D.C. to set reimbursement. In April, the federal government settled the federal portion of this lawsuit for over \$187 million; this agreement recovers the state Medicaid share for D.C.

The District's recovery, representing McKesson's April 2012 payments to the federal government for damages suffered by the D.C. Medicaid program, combined with the state settlement announced today, is \$1,233,979.

The lawsuit against the McKesson Corporation was filed in federal court in New Jersey. To date, federal and state governments have also 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.

D.C. was represented by a national settlement team comprised of members from California and New York working through the National Association of Medicaid Fraud Control Units. Mr. Willoughby thanked the D.C. Department of Health Care Finance for providing the necessary data for analysis and the Medicaid Fraud Control Unit for processing this matter for the District.