

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

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\$108,839 To Be Paid by Pharmaceutical Company for Violating Medicaid Rules

Washington, D.C. – D.C. Inspector General Charles C. Maddox and the National Association of Medicaid Fraud Control Units (NAMFCU) announced today that it has reached a settlement agreement with Pfizer, Inc. to pay \$49 million to the state Medicaid programs for violating the federal Medicaid drug rebate statute by failing to accurately report statutorily mandated “best price” information for Lipitor, an anti-cholesterol medication. As part of the settlement, the District of Columbia Medicaid Program will recover \$108,839 in restitution and penalties. Forty-seven states and the District of Columbia are participating in the settlement.

The federal Medicaid drug rebate statute requires that all pharmaceutical manufacturers that supply products to Medicaid recipients must provide “best price” information to the Centers for Medicare and Medicaid Services (CMS). CMS uses this “best price” information to calculate rebates payable to the state Medicaid programs under the statute.

Pfizer’s liability is based on its acquisition of Warner-Lambert, the developer of Lipitor. In 1999, representatives of Warner-Lambert provided unrestricted “educational grants” of \$250,000.00 to a health maintenance organization (HMO) in exchange for keeping Lipitor on the HMO’s formulary. This settlement is based on the states’ contention that this \$250,000.00 should have been included in the calculation of “best price” under the federal Medicaid drug rebate statute. By failing to include this amount in the calculation of “best price,” the state Medicaid programs received improperly lowered rebate amounts for 1999.

As part of the settlement, Pfizer has entered into a Corporate Integrity Agreement (CIA) with the United States Department of Health and Human Services Inspector General. The CIA will require strict scrutiny of Pfizer’s marketing and sales practices for the next five years. The state negotiating team was led by Medicaid Fraud Control Unit Directors from Ohio, South Carolina, and Washington State.

This is an example of efforts made by the D.C. Inspector General’s Medicaid Fraud Control Unit (MFCU) to assure that the District of Columbia is incorporated in all national healthcare fraud initiatives. The Unit was created in March of 2000, and is responsible for investigating and prosecuting healthcare fraud and patient abuse.

For further information, please contact Sidney Rocke, Director of the Medicaid Fraud Control Unit at 202-727-2540.