

DISTRICT ENTERS INTO \$435 MILLION NATIONAL SETTLEMENT WITH SCHERING-PLOUGH

Action settles civil and criminal charges arising from company's improper marketing practices for its products

District of Columbia Inspector General Charles J. Willoughby announced that he has reached an agreement with pharmaceutical manufacturer Schering-Plough Corporation to settle a number of allegations concerning the marketing and distribution of certain of its products. As a result, the company will pay the State and federal government nearly \$255 million in damages and penalties for Medicaid and federal health care programs. Additionally, in connection with this settlement, a Schering division will plead guilty in federal court in Boston to criminal charges related to this conduct, agreeing to pay total criminal fines of \$180 million.

The conduct at issue with Schering, a Pennsylvania-headquartered manufacturer of a wide variety of pharmaceutical products, fell into three categories: Schering's exclusion of certain price discounts from the formula used to calculate Medicaid Program rebates and resulting underpayment of those rebates for the allergy drug Claritin Redi-Tabs and the potassium supplement K- Dur; the improper "off-label" marketing of brain cancer medication Temodar; and the company's payment of illegal remuneration to physicians to induce them to prescribe hepatitis drugs PEG-Intron and Rebetron, and bladder cancer medication Intron-A. Resulting losses to state Medicaid Programs were in excess of \$80 million which, under the terms of the national settlement, Schering will be required to repay along with penalties, resulting in a total Medicaid recovery of \$203 million.

Under the terms of District's settlement, the state will recover \$369, 833.63 for the D.C Medicaid Program; \$163,636.81 of that amount has been paid directly to D.C. with the balance going to the federal government to reimburse its share of the Medicaid costs.

The civil settlements with Schering further require the company to enter into a Corporate Integrity Agreement with the Office of the Inspector General of the U.S. Department of Health and Human Services, in order to monitor the company's operations and ensure compliance with the law in the future.

The settlement was negotiated by the National Association of Medicaid Fraud Control Units joined in by 49 states and the District of Columbia.