



Steven K. Young, Director

Iowa Receives \$200,000 in National Drug Settlements

DES MOINES, IOWA (September 26, 2006) – The State of Iowa has received more than \$200,000 as a result of two national drug settlements, Iowa Department of Inspections and Appeals (DIA) Director Steve Young said today. “A settlement with pharmaceutical giant GlaxoSmithKline (GSK) to resolve allegations that it improperly inflated the average wholesale price paid by government health plans has resulted in a reimbursement to Iowa’s Medical Assistance Program (Medicaid) of more than \$41,000,” Young explained. An earlier agreement with the Schering-Plough Corporation to settle a number of allegations concerning the marketing and distribution of certain of its products resulted in a reimbursement to the State of more than \$159,000.

At issue in the GSK case was the company’s reporting of bench mark pricing data used by state and federal health insurance programs to set reimbursement amounts for its drugs Kytril and Zofran, injectible anti-nausea drugs used in connection with chemotherapy. “According to the national settlement, GlaxoSmithKline increased the reported prices for these drugs to create a spread between what purchasers actually paid and what Medicare and Medicaid would pay. This spread could then be used by the pharmaceutical company as an inducement to purchase its products,” the Director said.

Similar pricing schemes were used by the Schering-Plough Corporation in connection with several of its drugs. “In the Schering case, the government alleges the company excluded certain price discounts from the formula used to calculate Medicaid Program rebates, improperly off-label marketed a brain cancer medication, and paid illegal remuneration to physicians to induce them to prescribe certain hepatitis drugs and bladder cancer medications,” Young continued.

As part of the national settlements, negotiated by the National Association of Medicaid Fraud Control Units, both pharmaceutical firms have entered into corporate integrity agreements with the Office of the Inspector General of the U.S. Department of Health and Human Services (DHHS). Additionally, both companies must submit to monitoring of their operations to ensure compliance with the law in the future.

DIA’s Medicaid Fraud Control Unit participated in the national cases by collecting data as part of the Medicaid Program settlement. Staff in the Unit conducts investigations of alleged abuse and neglect of residents in long-term care facilities that receive Medicaid reimbursements from the federal government. Investigators also look into allegations that residents have been defrauded of personal funds or possessions.

“When abuse or fraud is substantiated, the Unit works with local law enforcement officials to bring the offenders to trial. When Medicaid fraud is suspected, DIA works side-by-side with investigators from DHHS’ Office of the Inspector General, the Federal Bureau of Investigation, the U.S. Postal Service, as well as other state and federal law enforcement agencies,” the Director added.

Drug settlements

This release and other news items from the Department of Inspections and Appeals (DIA) may be found on the Department’s “Hot Notices” web page at <http://www.state.ia.us/government/dia/page20.html>.