



Department of Justice

FOR IMMEDIATE RELEASE
FRIDAY, MAY 2, 2008
WWW.USDOJ.GOV

OPA
(202) 514-2007
TDD (202) 514-1888

McKesson Corporation Agrees to Pay More than \$13 Million to Settle Claims that it Failed to Report Suspicious Sales of Prescription Medications

WASHINGTON - McKesson Corp., one of the nation's largest distributors of pharmaceutical drugs, has agreed to settle allegations that it violated federal reporting provisions relating to its handling of certain prescription medications regulated by the Drug Enforcement Administration (DEA). Under the agreement between the company and six U.S. Attorney's Offices, McKesson has agreed to pay \$13,250,000 in civil penalties for alleged violations of its obligations under the Controlled Substances Act.

McKesson Corp., which operates 30 DEA-registered distribution facilities, failed to report to DEA suspicious sales of controlled substance pharmaceuticals it made to pharmacies that filled orders from illegal "Internet pharmacies" that sell drugs online to customers who do not have a legal prescription. McKesson also failed to report suspicious orders of controlled substances that it received from other pharmacies and clinics even though the orders were unusually large. Every DEA registrant is required to report to DEA any suspicious orders or the theft or significant loss of controlled substances.

"The abuse of prescription medications is a significant and growing problem, and there is an erroneous perception among our youth that the recreational use of these powerful medications is somehow safer than the abuse of illegal drugs such as cocaine, meth, and heroin," said Deputy Attorney General Mark Filip. "Today's settlement makes clear that the Department of Justice is committed to doing its part to curtail illegal access to these dangerous drugs."

Three McKesson distribution centers received and filled hundreds of suspicious orders placed by pharmacies participating in illicit Internet schemes, but failed to report the orders to DEA. They did so even after a Sept. 1, 2005, meeting at which DEA officials met with and warned McKesson officials about excessive sales of their products to pharmacies filling illegal online prescriptions. The pharmacies filled purported online "prescriptions" for hydrocodone (contained in drugs such as Vicodin), but the prescriptions were issued outside the normal course of professional practice and not for a legitimate medical purpose. The United States Attorneys allege that the orders that McKesson received from these pharmacies were unusually large, unusually frequent, and/or deviated substantially from the normal pattern. As a result, millions of dosage units of controlled substances were diverted from legitimate channels of distribution.

"By failing to report suspicious orders for controlled substances that it received from rogue Internet pharmacies, the McKesson Corporation fueled the explosive prescription drug abuse problem we have in this country," said DEA Acting Administrator Michele M. Leonhart. "This civil penalty demonstrates the strong action DEA is taking to cut off the drug supply to pharmacies engaged in Internet diversion schemes."

The Controlled Substances Act is the primary federal law regulating the flow of controlled substances into the marketplace for medical purposes. Among other requirements, the Act requires that distributors register with DEA to sell controlled substances to retail pharmacies and report to DEA suspicious orders or the theft or significant loss of controlled substances. The Act authorizes the imposition of up to a \$10,000 civil penalty for each violation of the reporting requirement.

The civil penalty will be collected by the U.S. Attorney's Office in each of the following districts, in the amounts indicated:

Middle District of Florida \$7,456,000 District of Maryland \$2,000,000 District of Colorado \$1,000,000 Southern District of Texas \$2,000,000 District of Utah \$544,000 Eastern District of California \$250,000

The settlement agreement is neither an admission of liability by McKesson nor a concession by the United States that its claims are not well founded.

This case was handled by trial attorneys from the following U.S. Attorneys' Offices: Middle District of Florida, District of Maryland, District of Colorado, Southern District of Texas, District of Utah and Eastern District of California. Additional assistance was provided by the Criminal Division's Narcotics and Dangerous Drug Section. Investigatory assistance was provided by the DEA.

###

08-374