McKesson Announces Settlement with DEA

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SAN FRANCISCO--(BUSINESS WIRE)--McKesson Corporation (NYSE:MCK) today announced that it has reached administrative and civil settlements with the U.S. Drug Enforcement Administration (DEA) and six U.S. Attorneys’ Offices regarding the company’s distribution of so-called "lifestyle drugs." These drugs, especially hydrocodone and alprazolam, have come under increased DEA scrutiny in recent months because of their potential for abuse.

The administrative settlement, which resolves all DEA claims against McKesson, calls for a temporary suspension of distribution of the two drugs from two of McKesson’s 31 distribution centers. The pharmacy accounts served by the two affected facilities will continue to receive shipments of the two drugs from other nearby McKesson distribution centers, with no disruption of service. Shipments of the drugs to Federal governmental agencies, including the VA, will not be subject to the suspension.

In connection with the settlement, the company is implementing certain enhanced controls over the ways it monitors and reports orders for controlled substances.

The civil settlement with the U.S. Attorneys’ Offices releases the company from related monetary claims in exchange for payments totaling $13.25 million. In January 2008, McKesson created a legal reserve in the same amount for that exposure. The company does not anticipate any other material financial impact from these settlements. McKesson denied any wrongdoing in connection with all of the settled matters.

The two settlements are the result of McKesson’s collaboration with the DEA and the U.S. Attorneys to resolve monetary, administrative and regulatory claims, while at the same time enhancing its monitoring of the distribution of the affected drugs in the future.

"The security of the nation’s pharmaceutical supply chain is one of McKesson’s highest priorities,” said John Figueroa, President, McKesson U.S. Pharmaceutical. "While we believe that our policies and procedures complied with all applicable laws and regulations, we chose to resolve these matters in collaboration with the federal agencies rather than in the courts to remove any uncertainty and ensure that our customers—America’s retail pharmacies, hospitals and other care facilities—continue to receive their vital medicines safely and on time. We believe that these settlements are right for the company, our customers, and our shareholders."

As the oldest pharmaceutical distributor in America, McKesson continually seeks ways to enhance the efficiency and safety of pharmaceutical supply chain, from the loading dock to the patient bedside. For instance, McKesson pioneered the use of portable bar code readers in its warehouses and later developed bar code technology for use in hospitals to dramatically improve the safety and accuracy of medication administration.

About McKesson

McKesson Corporation, currently ranked 18th on the FORTUNE 500, is a healthcare services and information technology company dedicated to helping its customers deliver high-quality healthcare by reducing costs, streamlining processes, and improving the quality and safety of patient care. McKesson is the longest-operating company in healthcare today and in 2008 is marking 175 years of continuous operations. Over the course of its history, McKesson has grown by providing pharmaceutical and medical-surgical supply management across the spectrum of care; healthcare information technology for hospitals, physicians, homecare and payors; hospital and retail pharmacy automation; and services for manufacturers and payors designed to improve outcomes for patients. For more information, visit us at www.mckesson.com.