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NOVARTIS PHARMACEUTICALS TO PAY $8 MILLION TO SETTLE ALLEGATIONS OF OVERCHARGING VETERANS AFFAIRS

WASHINGTON, D.C. -- Novartis Pharmaceuticals Inc. will pay the government $8 million to settle claims that a New Jersey-based predecessor company overcharged the Department of Veterans Affairs (VA), the Department of Justice announced today.

Acting Assistant Attorney General for the Civil Division David W. Ogden and United States Attorney for New Jersey Faith S. Hochberg said today's settlement resolves allegations that a predecessor to Novartis, Ciba-Geigy, Inc., based in Summit, New Jersey, failed to provide accurate pricing information to VA contract negotiators on four contracts for the purchase of pharmaceuticals, and that, as a result, government agencies purchasing under the contracts were overcharged.

"Taxpayers should not be paying more than private customers," Ogden said. "We rely on contractors to provide accurate pricing information."

"Taking advantage of a government contract in this way is like reaching into the pocket of taxpayers," Hochberg said. "Novartis will now disgorge substantially more than the amount that Ciba-Geigy overcharged - a remedy that should deter other government contractors from contemplating similar practices."

The VA Office of Inspector General discovered the overcharges during an audit of the Ciba-Geigy contracts. The OIG found that on four contracts awarded between 1987 and 1991, the company did not tell government contract negotiators that Ciba-Geigy offered commercial customers lower prices than it offered to government customers. Government agencies purchased more than $50 million dollars worth of pharmaceuticals under the four contracts.

Federal regulations require that companies seeking government contracts submit commercial pricing information supporting their proposals and that they certify that such data is accurate, complete and current. These regulations help to ensure that the government does not overpay for the goods and services it purchases, Hochberg stated.

The OIG referred the matter to the Department of Justice, which negotiated the settlement with Novartis.

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