



Department of Justice

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DRUG GIANT PFIZER & TWO SUBSIDIARIES TO PAY \$49 MILLION **FOR DEFRAUDING DRUG MEDICAID REBATE PROGRAM**

WASHINGTON, D.C.- Pfizer Corporation and its subsidiaries, Warner-Lambert and Parke-Davis, have agreed to pay \$49 million to settle allegations that the company violated the False Claims Act, the Justice Department and the U.S. Attorney's Office for the Eastern District of Texas announced today. The government alleged that the defendants fraudulently avoided paying fully the rebates owed to the state and federal governments under the national drug Medicaid Rebate program for the cholesterol-lowering drug Lipitor.

Congress enacted the Medicaid Rebate program in 1991 to ensure that state Medicaid programs and the federal government do not overpay for the cost of providing drugs to Medicaid beneficiaries. The rebate program is embodied in the Medicaid Rebate Agreement that each drug company signs with the federal government in exchange for the privilege of having its products approved for use by Medicaid beneficiaries.

The Medicaid Rebate program requires drug companies to pay quarterly rebates to states in a way intended to account for discounts given by the drug companies to their favored customers. The key to the program is the requirement that, for each drug sold, drug companies report to the Center for Medicare and Medicaid Services the best price they offered to any commercial, for-profit customer and pay a quarterly rebate based, in part, upon that best price.

Defendant, Parke-Davis Labs, then a subsidiary of Warner-Lambert, which was subsequently acquired by Pfizer in 2000, allegedly overstated the Lipitor best price in the first and second quarters of 1999 by concealing \$250,000 of cash discounts that were given to a key managed care customer in Louisiana in exchange for favorable status on the managed care organization's drug formulary. The alleged unreported discounts to the managed care organization allowed Parke-Davis/Warner-Lambert to retain over \$20 million in Medicaid Rebates owed to the Medicaid program.

"The Medicaid program was created to help ensure that those with lower incomes receive medical treatment – not to enrich drug companies or providers," said Robert D. McCallum, Jr., Assistant Attorney General for the Justice Department's Civil Division. "The Medicaid Rebate program plays a critical role in helping the state and federal governments control ever-increasing drug costs."

In addition to the \$49 million settlement payment, Pfizer will enter into a five-year corporate integrity agreement with the Department of Health and Human Services' (HHS) Office of Inspector General. The corporate integrity agreement includes requirements that Pfizer certify its best price processes and maintain internal procedures designed to prevent future problems in compliance with the Medicaid Rebate program.

"Pharmaceutical companies have a responsibility to be good corporate citizens and to be fair and honest in their dealings with Medicaid, Medicare and the other government health care programs," stated HHS Inspector General Janet Rehnquist. "As a condition of this settlement, Pfizer must implement and maintain policies and procedures designed to ensure the full and accurate reporting of discounts and other pricing data used to calculate Medicaid rebates."

The settlement amount will be divided between the federal government and the states that did not receive the full Medicaid Rebate payments owed by Parke-Davis/Warner-Lambert. The United States will receive \$27,915,300 plus

accrued interest. The remainder of the settlement amount, \$21,084,700 plus accrued interest, will be shared among 40 states.

David Foster, a former Parke-Davis/Warner-Lambert employee in the company's Southeast Region, was the qui tam relator or "whistle blower" who filed the initial suit on behalf of the United States. Mr. Foster will receive 21.3% of the federal government's portion of the recovery or \$5,945,958.90.

The case is United States ex rel. David Foster v. Pfizer Inc, Warner-Lambert Corporation, and Parke-Davis Laboratories.

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