Schuette Files Lawsuit to Recover Millions in Taxpayer Funds from Drug Wholesaler, Publisher for Inflated Drug Prices

LANSING- Attorney General Bill Schuette today announced his office has filed a lawsuit against a national pharmaceutical wholesaler and a drug pricing publisher for civil penalties and to recover millions in taxpayer dollars spent as a result of a scheme to artificially inflate prices for certain brand-name and generic drugs. The lawsuit filed by the State of Michigan in Ingham County Circuit court against McKesson Corporation and Hearst Corporation and its subsidiaries, including First DataBank, alleges the companies conspired to inflate average wholesale prices for certain drugs by five percent, resulting in the Michigan Medicaid Program overpaying many millions for pharmacy claims from 2001 to 2009. During this same time period, Michigan Medicaid spent nearly $2 billion on the brand-name pharmaceuticals in question, as well as approximately $80 million on the affected generic drugs.

"It's an insult to hard-working citizens when fraudulent practices cause their taxpayer dollars to be wasted or misused," said Schuette. "We will bring the hammer down on anyone who defrauds the state."

The lawsuit alleges that McKesson, one of the largest drug wholesalers in the United States, and Hearst, the leading publisher of pharmaceutical pricing data, entered into a secret agreement in 2001 to manipulate drug price data to portray the false inflation of the average wholesale prices of certain brand-name prescription drugs by five percent. The inflated prices did not reflect any actual increases in the manufacturer’s prices or prices pharmacies were paying to drug wholesalers. It is alleged the companies also recognized the scheme would cause an artificial increase in average wholesale prices for certain generic drugs.

Schuette alleges that both McKesson and Hearst reported the false prices with the express purpose of securing higher reimbursements from the Michigan Medicaid program and other payors. The inflated prices remained in place from late 2001 through September 2009, when a “rollback” was implemented. The lawsuit seeks to recover the many millions of those Michigan Medicaid payments that were in fact overpayments due to false mark-ups, as well as civil penalties for causing false claims to be submitted.

The lawsuit has been assigned to Ingham County Circuit Court Judge Rosemarie Aquilina. A hearing has not yet been scheduled.