



[Home](#) » [Media Center](#) » [Press Releases](#) » July 27th 2012

A.G. Schneiderman Announces \$151 Million Settlement With Drug Distributor McKesson For Medicaid Fraud

McKesson Will Pay Over \$64 Million To New York, More Than Any Other State

Settlement Resolves Charges That Drug Distribution Corporation Illegally Profited By Inflating Drug Prices And Overcharging Medicaid

Schneiderman: We Will Aggressively Root Out Medicaid Fraud To Protect Patients & Taxpayers

NEW YORK— Attorney General Eric T. Schneiderman today announced that the drug distribution company McKesson Corporation will pay \$64 million in restitution to New York for over-billing the state’s Medicaid program as part of a \$151 million multi-state settlement. The settlement resolves charges that McKesson violated the New York State False Claims Act and the Federal False Claims Act, after the corporation reported inflated pricing information for over 1,400 brand name prescription medications, causing the state’s Medicaid program to overpay for those drugs.

“Pharmaceutical distribution companies are not above the law. This settlement holds McKesson accountable for attempting to make millions of dollars in illegal profits,” said **Attorney General Schneiderman**. “Our office will continue to aggressively root out Medicaid fraud to protect patients and taxpayers, and ensure that corporations are playing by the same set of rules as everyone else.”

The settlement resolves claims that for several years ending in 2009, McKesson, a large drug distributor, reported inflated pricing data to First Data Bank (FDB), a publisher of drug prices that are used by New York to set payment rates for pharmaceutical reimbursement. In April, the federal government reached an agreement with McKesson to resolve the federal portion of Medicaid; today’s agreement resolves the state portion of Medicaid for New York and 29 other states. New York will receive \$64 million in total.

The drug pricing data at issue here relates to the “Average Wholesale Price” (AWP) benchmark used by most states, including New York, to set payment rates for pharmaceuticals. The settlement today is based on the charges that McKesson reported inflated mark-up percentages to FDB for hundreds of brand name drugs, causing FDB to publish inflated AWP’s for those drugs.

The investigation revealed that McKesson inflated the prices of over 1,400 brand name drugs, including these commonly prescribed medications:

- Adderall
- Allegra
- Ambien
- Celexa
- Lipitor
- Neurontin
- Prevacid
- Prozac
- Ritalin

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➤ 2012

- January
- February
- March
- April
- May
- June
- July

➤ 2011

- January
- February
- March
- April
- May

New York along with California led the National Settlement Team that investigated and negotiated the settlement on behalf of the states. The matter was handled by Jay Speers, Counsel for the New York Medicaid Fraud Control Unit; Michael LaCasse, Chief Auditor of the Civil Enforcement Division; and Larry Logan, Director of the Electronic Investigative Support Group. The members of the team are under the direct supervision of Deputy Attorney General Monica Hickey-Martin, Director of New York's Medicaid Fraud Control Unit.

- › June
- › July
- › August
- › September
- › October
- › November
- › December

[Español](#)

Archived

- › 2010
- › 2009
- › 2008
- › 2007
- › 2006
- › 2005
- › 2004
- › 2003
- › 2002
- › 2001
- › 2000
- › 1999
- › 1998

Executive	Criminal Justice	Economic Justice	Social Justice	State Counsel	Administration
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