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McKesson Corp. to Pay $18 Million to Resolve False Claims Allegations Related to Shipping Services Provided Under Centers for Disease Control Vaccine Distribution Contract

McKesson Corporation has agreed to pay $18 million to resolve allegations that it improperly set temperature monitors used in shipping vaccines under its contract with the Centers for Disease Control and Prevention (CDC), the Justice Department announced today. McKesson is a pharmaceutical distributor with corporate headquarters in San Francisco.

“Companies must comply with the requirements they agree to when they contract with the government to provide products that protect the public,” said Assistant Attorney General Stuart F. Delery for the Justice Department’s Civil Division. “If a contractor does not adhere to the terms it negotiated, its conduct not only hurts taxpayers but also could jeopardize the integrity of products, like vaccines, that Americans count on to be safe.”

The government alleged that McKesson failed to comply with the shipping and handling requirements of its vaccine distribution contract with the CDC. Under the contract, McKesson provided distribution services, receiving vaccines purchased by the government from manufacturers and then distributing the vaccines to health care providers. The government alleged that the contract required McKesson to ensure that during shipping, the vaccines were maintained at proper temperatures by, among other things, including electronic temperature monitors set to detect when the air temperature in the box reached two degrees Celsius and below or eight degrees Celsius and above. The government alleged that, from approximately April 2007 to November 2007, McKesson failed to set the monitors to the appropriate range, and as a result, knowingly submitted false claims to the CDC for shipping and handling services that did not satisfy its contractual obligations.

According to the CDC, redundant measures were and are used to ensure vaccines are kept at appropriate temperatures during shipping. The most important of these were validated packing procedures used to maintain proper vaccine temperatures. Temperature monitors provided a secondary safeguard. For more information about vaccine storage and handling, please visit the CDC website or contact the CDC’s press office at 404-639-3286 and media@cdc.gov.

“Ensuring the integrity and performance of government contracts is paramount, especially when they impact programs intended to protect young children,” said Derrick L. Jackson, special agent in charge of the U.S. Department of Health and Human Services-Office of Inspector General (HHS-OIG) in Atlanta. “Holding accountable those who fail to meet their obligations -- thereby violating the trust of the American taxpayer -- continues to be a top OIG priority.”

The allegations resolved by today’s settlement were originally raised in a lawsuit filed against McKesson by Terrell Fox, a former finance director at McKesson Specialty Distribution LLC, under the qui tam, or whistleblower, provisions of the False Claims Act, which allow private citizens with knowledge of false claims to bring civil actions on behalf of the government and to share in any recovery. Fox’s share of the settlement has not been determined.

This settlement illustrates the government’s emphasis on combating health care fraud and marks another achievement for the Health Care Fraud Prevention and Enforcement Action Team (HEAT) initiative, which was announced in May 2009 by the Attorney General and the Secretary of Health and Human Services. The partnership between the two departments has focused efforts to reduce and prevent Medicare and Medicaid financial fraud through enhanced cooperation. One of the most powerful tools in this effort is the False Claims Act. Since January 2009, the Justice Department has recovered a total of more than $20.2 billion through False Claims Act cases, with more than $14 billion of that amount recovered in cases involving fraud against federal health care programs.
The case was handled by the Civil Division's Commercial Litigation Branch and the U.S. Attorney's Office for the Middle District of Tennessee, with assistance from HHS-OIG and Office of General Counsel.

The claims settled by this agreement are allegations only, and there has been no determination of liability. The lawsuit is captioned *United States ex rel. Fox v. McKesson Corp.*, No. 3:12-cv-00766 (M.D. Tenn.).

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