Department of Justice

U.S. Attorney's Office

District of Maryland

FOR IMMEDIATE RELEASE Friday, December 23, 2016

Cardinal Health Agrees to $44 Million Settlement for Alleged Violations of Controlled Substances Act

Settlement resolves multiple investigations against Cardinal in Maryland, Florida, New York and Washington

Baltimore, Maryland – Cardinal Health, Inc. agreed to pay $44,000,000 to the United States to resolve allegations that it violated the Controlled Substances Act (CSA) in Maryland, Florida and New York by failing to report suspicious orders of controlled substances to pharmacies located in those states. The settlement also resolves a civil investigation in the Western District of Washington concerning alleged violations of CSA record keeping requirements. Contemporaneously, the Southern District of New York has entered into a separate settlement agreement with Cardinal in which Cardinal agreed to resolve allegations that Kinray, Inc., a subsidiary distributor, failed to report suspicious orders by pharmacies in the Kinray service area.

The settlement agreement was announced today by United States Attorney for the District of Maryland Rod J. Rosenstein and Special Agent in Charge Karl C. Colder of the Drug Enforcement Administration - Washington Field Division.

“Pharmaceutical suppliers violate the law when they fill unusually large or frequent orders for controlled substances without notifying the DEA,” said U.S. Attorney for the District of Maryland Rod J. Rosenstein. “Abuse of pharmaceutical drugs is one of the top federal law enforcement priorities. Cases such as this one, as well as our $8 million settlement with CVS in February 2016, reflect the federal commitment to prevent the diversion of pharmaceutical drugs for illegal purposes.”

“DEA is responsible for ensuring that all controlled substance transactions take place within DEA's regulatory closed system. All legitimate handlers of controlled substances must maintain strict accounting for all distributions and Cardinal failed to adhere to this policy,” stated Special Agent-in-Charge Karl C. Colder of the Drug Enforcement Administration's Washington Division. “Oxycodone is a very addictive drug and failure to report suspicious orders of oxycodone is a serious matter. The civil penalty levied against Cardinal should send a strong message that all handlers of controlled substances must perform due diligence to ensure the public safety," stated Colder.

The CSA requires distributors of pharmaceuticals, such as Cardinal, to identify and report suspicious orders of controlled substances, such as orders of unusual size, unusual frequency or those that substantially deviate from a normal pattern. If the distributor fails to report suspicious orders to the DEA, civil penalties can be imposed against the distributor.

The settlement resolves allegations arising from an investigation in Maryland as well as an administrative proceeding related to conduct in Florida. According to the settlement agreement, Cardinal admitted that from January 1, 2009 to May 14, 2012, it failed to report suspicious orders to the DEA as required by the CSA. The settlement also resolves allegations that Cardinal failed to maintain effective controls against diversion.

U.S. Attorney Rod J. Rosenstein commended the DEA's Office of Diversion Control, Washington Division, Baltimore District Office for its work in the investigation. U.S. Attorney Rosenstein also thanked U.S. Attorney for the Middle District of Florida A. Lee Bentley, III and Division Chief, Katherine Ho and Civil Chief, Randy Harwell; as well as U.S. Attorney for the Southern District of New York Preet Bharara, and Assistant United States Attorney Tony Pellegrino for their collaborative work. Mr. Rosenstein thanked Assistant United States Attorney Thomas F. Corcoran, who handled the case for the District of Maryland.

USAO - Maryland

Updated December 23, 2016