

The Truth  *About Health*

Court Finds against Drug Companies In Medicaid Overcharge Pricing Scheme

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For the second time this year, the State of Alabama has won a significant victory in court against powerful drug companies. This time, the litigation involved GlaxoSmithKline and Novartis Pharmaceuticals Corp and with the court awarding a total of \$114,247,233 to the state. Earlier this year, the state was awarded a \$215 million verdict against the AstraZeneca Pharmaceutical Company.

State Attorney General Troy King initiated legislation against the drug giants for massive overcharges to the Alabama Medicaid Agency. According to the state, both companies overcharged Medicaid for drugs from 1991 to 2005. The companies had allegedly charged the state more for medications than they did other customers. This is against the law as Medicaid is to be charged the drug maker's lowest offered prices. The state initially sought \$800 million in settlement.

"The people of Alabama can be reassured that grave injustices are being made right and that public funds taken by corporate manipulation schemes are being recovered," said the attorney general. He went on to say that the state will, "hold accountable anyone, no matter how powerful and wealthy, who would take advantage our state and our citizens."

These cases being tried in Alabama for overcharges to the Alabama Medicaid Agency have become known as "average wholesale pricing" (AWP) cases. The state contends that the pharmaceutical companies misreported and then inflated the prices they charged for prescription drugs resulting in a scheme to overcharge Medicaid. Earlier this year the attorney general filed lawsuits against 79 companies for their participation in this AWP scheme.

The first court award from these lawsuits went against AstraZeneca for a total of \$215 million. A judge later reduced the award to a still substantial amount of \$160 million. In this current suit, GlaxoSmithKline is to pay \$80,989,539 with Novartis to pay \$33,257,694.

The attorney general seemed pleased with the court's decision. "The State of Alabama continues to achieve victories in the important work of recovering what has been stolen from the Alabama Medicaid Agency and those who depend upon that agency for their needed medicines," he said.

Source: The State of Alabama Office of the Attorney General. "A.G. Announces Second Victory in Drug Pricing Lawsuit." Press Release. July 2008.

http://www.ago.state.al.us/news_template.cfm?Item=1192