

CMG Archives  
<http://www.campbellmgold.com>

(2012)

--()--

**Department of Justice**

Office of Public Affairs

FOR IMMEDIATE RELEASE

Monday, July 2, 2012

<http://www.justice.gov/opa/pr/2012/July/12-civ-842.html>

**GlaxoSmithKline to Plead Guilty and Pay \$3 Billion to Resolve Fraud Allegations and Failure to Report Safety Data**

*Largest Health Care Fraud Settlement in U.S. History*

Global health care giant GlaxoSmithKline LLC (GSK) agreed to plead guilty and to pay \$3 billion to resolve its criminal and civil liability arising from the company's unlawful promotion of certain prescription drugs, its failure to report certain safety data, and its civil liability for alleged false price reporting practices, the Justice Department announced today. The resolution is the largest health care fraud settlement in U.S. history and the largest payment ever by a drug company.

GSK agreed to plead guilty to a three-count criminal information, including two counts of introducing misbranded drugs, Paxil and Wellbutrin, into interstate commerce and one count of failing to report safety data about the drug Avandia to the Food and Drug Administration (FDA). Under the terms of the plea agreement, GSK will pay a total of \$1 billion, including a criminal fine of \$956,814,400 and forfeiture in the amount of \$43,185,600. The criminal plea agreement also includes certain non-monetary compliance commitments and certifications by GSK's U.S. president and board of directors. GSK's guilty plea and sentence is not final until accepted by the U.S. District Court.

GSK will also pay \$2 billion to resolve its civil liabilities with the federal government under the False Claims Act, as well as the states. The civil settlement resolves claims relating to Paxil, Wellbutrin and Avandia, as well as additional drugs, and also resolves pricing fraud allegations.

"Today's multi-billion dollar settlement is unprecedented in both size and scope. It underscores the Administration's firm commitment to protecting the American people and holding accountable those who commit health care fraud," said James M. Cole, Deputy Attorney General. "At every level, we are determined to stop practices that jeopardize patients' health, harm taxpayers, and violate the public trust – and this historic action is a clear warning to any company that chooses to break the law."

“Today’s historic settlement is a major milestone in our efforts to stamp out health care fraud,” said Bill Corr, Deputy Secretary of the Department of Health and Human Services (HHS). “For a long time, our health care system had been a target for cheaters who thought they could make an easy profit at the expense of public safety, taxpayers, and the millions of Americans who depend on programs like Medicare and Medicaid. But thanks to strong enforcement actions like those we have announced today, that equation is rapidly changing.”

This resolution marks the culmination of an extensive investigation by special agents from HHS-OIG, FDA and FBI, along with law enforcement partners across the federal government. Moving forward, GSK will be subject to stringent requirements under its corporate integrity agreement with HHS-OIG; this agreement is designed to increase accountability and transparency and prevent future fraud and abuse. Effective law enforcement partnerships and fraud prevention are hallmarks of the Health Care Fraud Prevention and Enforcement Action Team (HEAT) initiative, which fosters government collaboration to fight fraud.

### **Criminal Plea Agreement**

Under the provisions of the Food, Drug and Cosmetic Act, a company in its application to the FDA must specify each intended use of a drug. After the FDA approves the product as safe and effective for a specified use, a company’s promotional activities must be limited to the intended uses that FDA approved. In fact, promotion by the manufacturer for other uses – known as “off-label uses” – renders the product “misbranded.”

**Paxil:** In the criminal information, the government alleges that, from April 1998 to August 2003, GSK unlawfully promoted Paxil for treating depression in patients under age 18, even though the FDA has never approved it for pediatric use. The United States alleges that, among other things, GSK participated in preparing, publishing and distributing a misleading medical journal article that misrepresented that a clinical trial of Paxil demonstrated efficacy in the treatment of depression in patients under age 18, when the study failed to demonstrate efficacy. At the same time, the United States alleges, GSK did not make available data from two other studies in which Paxil also failed to demonstrate efficacy in treating depression in patients under 18. The United States further alleges that GSK sponsored dinner programs, lunch programs, spa programs and similar activities to promote the use of Paxil in children and adolescents. GSK paid a speaker to talk to an audience of doctors and paid for the meal or spa treatment for the doctors who attended. Since 2004, Paxil, like other antidepressants, included on its label a “black box warning” stating that antidepressants may increase the risk of suicidal thinking and behavior in short-term studies in patients under age 18. GSK agreed to plead guilty to misbranding Paxil in that its labeling was false and misleading regarding the use of Paxil for patients under 18.

**Wellbutrin:** The United States also alleges that, from January 1999 to December 2003, GSK promoted Wellbutrin, approved at that time only for Major Depressive Disorder, for weight loss, the

treatment of sexual dysfunction, substance addictions and Attention Deficit Hyperactivity Disorder, among other off-label uses. The United States contends that GSK paid millions of dollars to doctors to speak at and attend meetings, sometimes at lavish resorts, at which the off-label uses of Wellbutrin were routinely promoted and also used sales representatives, sham advisory boards, and supposedly independent Continuing Medical Education (CME) programs to promote Wellbutrin for these unapproved uses. GSK has agreed to plead guilty to misbranding Wellbutrin in that its labeling did not bear adequate directions for these off-label uses. For the Paxil and Wellbutrin misbranding offenses, GSK has agreed to pay a criminal fine and forfeiture of \$757,387,200.

**Avandia:** The United States alleges that, between 2001 and 2007, GSK failed to include certain safety data about Avandia, a diabetes drug, in reports to the FDA that are meant to allow the FDA to determine if a drug continues to be safe for its approved indications and to spot drug safety trends. The missing information included data regarding certain post-marketing studies, as well as data regarding two studies undertaken in response to European regulators' concerns about the cardiovascular safety of Avandia. Since 2007, the FDA has added two black box warnings to the Avandia label to alert physicians about the potential increased risk of (1) congestive heart failure, and (2) myocardial infarction (heart attack). GSK has agreed to plead guilty to failing to report data to the FDA and has agreed to pay a criminal fine in the amount of \$242,612,800 for its unlawful conduct concerning Avandia.

"This case demonstrates our continuing commitment to ensuring that the messages provided by drug manufacturers to physicians and patients are true and accurate and that decisions as to what drugs are prescribed to sick patients are based on best medical judgments, not false and misleading claims or improper financial inducements," said Carmen Ortiz, U.S. Attorney for the District of Massachusetts.

"Patients rely on their physicians to prescribe the drugs they need," said John Walsh, U.S. Attorney for Colorado. "The pharmaceutical industries' drive for profits can distort the information provided to physicians concerning drugs. This case will help to ensure that your physician will make prescribing decisions based on good science and not on misinformation, money or favors provided by the pharmaceutical industry."

### **Civil Settlement Agreement**

As part of this global resolution, GSK has agreed to resolve its civil liability for the following alleged conduct: (1) promoting the drugs Paxil, Wellbutrin, Advair, Lamictal and Zofran for off-label, non-covered uses and paying kickbacks to physicians to prescribe those drugs as well as the drugs Imitrex, Lotronex, Flovent and Valtrex; (2) making false and misleading statements concerning the safety of Avandia; and (3) reporting false best prices and underpaying rebates owed under the Medicaid Drug Rebate Program.

**Off-Label Promotion and Kickbacks:** The civil settlement resolves claims set forth in a complaint filed by the United States alleging that, in addition to promoting the drugs Paxil and Wellbutrin for unapproved, non-covered uses, GSK also promoted its asthma drug, Advair, for first-line therapy for mild asthma patients even though it was not approved or medically appropriate under these circumstances. GSK also promoted Advair for chronic obstructive pulmonary disease with misleading claims as to the relevant treatment guidelines. The civil settlement also resolves allegations that GSK promoted Lamictal, an anti-epileptic medication, for off-label, non-covered psychiatric uses, neuropathic pain and pain management. It further resolves allegations that GSK promoted certain forms of Zofran, approved only for post-operative nausea, for the treatment of morning sickness in pregnant women. It also includes allegations that GSK paid kickbacks to health care professionals to induce them to promote and prescribe these drugs as well as the drugs Imitrex, Lotronex, Flovent and Valtrex. The United States alleges that this conduct caused false claims to be submitted to federal health care programs.

GSK has agreed to pay \$1.043 billion relating to false claims arising from this alleged conduct. The federal share of this settlement is \$832 million and the state share is \$210 million.

This off-label civil settlement resolves four lawsuits pending in federal court in the District of Massachusetts under the *qui tam*, or whistleblower, provisions of the False Claims Act, which allow private citizens to bring civil actions on behalf of the United States and share in any recovery.

**Avandia:** In its civil settlement agreement, the United States alleges that GSK promoted Avandia to physicians and other health care providers with false and misleading representations about Avandia's safety profile, causing false claims to be submitted to federal health care programs. Specifically, the United States alleges that GSK stated that Avandia had a positive cholesterol profile despite having no well-controlled studies to support that message. The United States also alleges that the company sponsored programs suggesting cardiovascular benefits from Avandia therapy despite warnings on the FDA-approved label regarding cardiovascular risks. GSK has agreed to pay \$657 million relating to false claims arising from misrepresentations about Avandia. The federal share of this settlement is \$508 million and the state share is \$149 million.

**Price Reporting:** GSK is also resolving allegations that, between 1994 and 2003, GSK and its corporate predecessors reported false drug prices, which resulted in GSK's underpaying rebates owed under the Medicaid Drug Rebate Program. By law, GSK was required to report the lowest, or "best" price that it charged its customers and to pay quarterly rebates to the states based on those reported prices. When drugs are sold to purchasers in contingent arrangements known as "bundles," the discounts offered for the bundled drugs must be reallocated across all products in the bundle proportionate to the dollar value of the units sold. The United States alleges that GSK had bundled sales arrangements that included steep discounts known as "nominal" pricing and yet failed to take such contingent arrangements into account when calculating and reporting its best prices to the Department of Health and Human Services. Had it done so, the effective prices on certain drugs

would have been different, and, in some instances, triggered a new, lower best price than what GSK reported. As a result, GSK underpaid rebates due to Medicaid and overcharged certain Public Health Service entities for its drugs, the United States contends. GSK has agreed to pay \$300 million to resolve these allegations, including \$160,972,069 to the federal government, \$118,792,931 to the states, and \$20,235,000 to certain Public Health Service entities who paid inflated prices for the drugs at issue.

Except to the extent that GSK has agreed to plead guilty to the three-count criminal information, the claims settled by these agreements are allegations only, and there has been no determination of liability.

“This landmark settlement demonstrates the Department’s commitment to protecting the American public against illegal conduct and fraud by pharmaceutical companies,” said Stuart F. Delery, Acting Assistant Attorney General for the Justice Department’s Civil Division. “Doctors need truthful, fair, balanced information when deciding whether the benefits of a drug outweigh its safety risks. By the same token, the FDA needs all necessary safety-related information to identify safety trends and to determine whether a drug is safe and effective. Unlawful promotion of drugs for unapproved uses and failing to report adverse drug experiences to the FDA can tip the balance of those important decisions, and the Justice Department will not tolerate attempts by those who seek to corrupt our health care system in this way.”

### **Non-monetary Provisions and Corporate Integrity Agreement**

In addition to the criminal and civil resolutions, GSK has executed a five-year Corporate Integrity Agreement (CIA) with the Department of Health and Human Services, Office of Inspector General (HHS-OIG). The plea agreement and CIA include novel provisions that require that GSK implement and/or maintain major changes to the way it does business, including changing the way its sales force is compensated to remove compensation based on sales goals for territories, one of the driving forces behind much of the conduct at issue in this matter. Under the CIA, GSK is required to change its executive compensation program to permit the company to recoup annual bonuses and long-term incentives from covered executives if they, or their subordinates, engage in significant misconduct. GSK may recoup monies from executives who are current employees and those who have left the company. Among other things, the CIA also requires GSK to implement and maintain transparency in its research practices and publication policies and to follow specified policies in its contracts with various health care payors.

“Our five-year integrity agreement with GlaxoSmithKline requires individual accountability of its board and executives,” said Daniel R. Levinson, Inspector General of the U.S. Department of Health and Human Services. “For example, company executives may have to forfeit annual bonuses if they or their subordinates engage in significant misconduct, and sales agents are now being paid based on quality of service rather than sales targets.”

“The FDA Office of Criminal Investigations will aggressively pursue pharmaceutical companies that choose to put profits before the public’s health,” said Deborah M. Autor, Esq., Deputy Commissioner for Global Regulatory Operations and Policy, U.S. Food and Drug Administration. “We will continue to work with the Justice Department and our law enforcement counterparts to target companies that disregard the protections of the drug approval process by promoting drugs for uses when they have not been proven to be safe and effective for those uses, and that fail to report required drug safety information to the FDA.”

“The record settlement obtained by the multi-agency investigative team shows not only the importance of working with our partners, but also the importance of the public providing their knowledge of suspect schemes to the government,” said Kevin Perkins, Acting Executive Assistant Director of the FBI’s Criminal, Cyber, Response and Services Branch. “Together, we will continue to bring to justice those engaged in illegal schemes that threaten the safety of prescription drugs and other critical elements of our nation’s healthcare system.”

“Federal employees deserve health care providers and suppliers, including drug manufacturers, that meet the highest standards of ethical and professional behavior,” said Patrick E. McFarland, Inspector General of the U.S. Office of Personnel Management. “Today’s settlement reminds the pharmaceutical industry that they must observe those standards and reflects the commitment of Federal law enforcement organizations to pursue improper and illegal conduct that places health care consumers at risk.”

“Today’s announcement illustrates the efforts of VA OIG and its law enforcement partners in ensuring the integrity of the medical care provided our nation’s veterans by the Department of Veterans Affairs,” said George J. Opfer, Inspector General of the Department of Veterans Affairs. “The monetary recoveries realized by VA in this settlement will directly benefit VA healthcare programs that provide for veterans’ continued care.”

“This settlement sends a clear message that taking advantage of federal health care programs has substantial consequences for those who try,” said Rafael A. Medina, Special Agent in Charge of the Northeast Area Office of Inspector General for the U.S. Postal Service. “The U.S. Postal Service pays more than one billion dollars a year in workers’ compensation benefits and our office is committed to pursuing those individuals or entities whose fraudulent acts continue to unfairly add to that cost.”

### **A Multilateral Effort**

The criminal case is being prosecuted by the U.S. Attorney’s Office for the District of Massachusetts and the Civil Division’s Consumer Protection Branch. The civil settlement was reached by the U.S. Attorney’s Office for the District of Massachusetts, the U.S. Attorney’s Office for the District of Colorado and the Civil Division’s Commercial Litigation Branch. Assistance was provided by the HHS

Office of Counsel to the Inspector General, Office of the General Counsel-CMS Division and FDA's Office of Chief Counsel as well as the National Association of Medicaid Fraud Control Units.

This matter was investigated by agents from the HHS-OIG; the FDA's Office of Criminal Investigations; the Defense Criminal Investigative Service of the Department of Defense; the Office of the Inspector General for the Office of Personnel Management; the Department of Veterans Affairs; the Department of Labor; TRICARE Program Integrity; the Office of Inspector General for the U.S. Postal Service and the FBI.

This resolution is part of the government's emphasis on combating health care fraud and another step for the Health Care Fraud Prevention and Enforcement Action Team (HEAT) initiative, which was announced in May 2009 by Attorney General Eric Holder and Kathleen Sebelius, Secretary of HHS. The partnership between the two departments has focused efforts to reduce and prevent Medicare and Medicaid financial fraud through enhanced cooperation. Over the last three years, the department has recovered a total of more than \$10.2 billion in settlements, judgments, fines, restitution, and forfeiture in health care fraud matters pursued under the False Claims Act and the Food, Drug and Cosmetic Act.

Court documents related to today's settlement can be viewed online at [www.justice.gov/opa/gsk-docs.html](http://www.justice.gov/opa/gsk-docs.html).

**Related Material:**

- [Remarks by the Deputy Attorney General James M. Cole at the GSK Press Conference](#)
- [Remarks by Acting Assistant Attorney General for the Civil Division Stuart F. Delery at the GSK Press Conference](#)

End

--()--

<http://www.justice.gov/opa/pr/2012/July/12-civ-842.html>

<http://www.campbellmgold.com>

11072012