

MEDIA Release

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State of Iowa to Receive \$530,835 in Novartis Pharmaceuticals Settlement

DES MOINES, IOWA (December 1, 2015) – The State of Iowa will receive \$530,835 as part of a national settlement between Novartis Pharmaceuticals Corporation and the federal government. “The settlement will resolve allegations that Novartis provided kickbacks to certain specialty pharmacies in exchange for recommending the drug Exjade to Medicaid and Medicare patients,” said Iowa Department of Inspections and Appeals (DIA) Director Rod Roberts. The settlement compensates Iowa’s Medical Assistance Program (Medicaid) for harm allegedly suffered as a result of illegal conduct, the Director added.

Novartis, which is headquartered in East Hanover, New Jersey, is a subsidiary of the Swiss pharmaceutical company Novartis AG. In late 2005, Exjade was approved by the U.S. Food and Drug Administration (FDA) for the treatment of chronic iron overload due to blood transfusions. After launching the drug, Novartis marketed Exjade as a treatment for patients with a number of underlying conditions that affect blood cells or bone marrow, including beta-thalassemia, sickle cell disease, and myelodysplastic syndromes.

The settlement resolves allegations that between 2007 and 2012 Novartis paid kickbacks to three specialty pharmacies – BioScrip, Accredo, and US Bioservices. The pharmacies were selected by Novartis to be part of a closed distribution network through which most Exjade prescriptions in the United States were filled. Novartis created the distribution network, which it called EPASS, and therefore had significant control over how many patient referrals each pharmacy received. The pharmacies shipped most Exjade prescriptions to patients by mail and were supposed to call patients to set up the shipments and obtain consent for refills. The pharmacies billed themselves as specialty pharmacies that could arrange for these shipments and run educational programs for patients.

In their court filings, the Federal government plaintiffs alleged that Novartis paid kickbacks to the pharmacies to corrupt the pharmacies' interactions with patients by inducing the pharmacies to exaggerate the dangers of not taking Exjade, emphasize Exjade's benefits, and downplay the severity of Exjade's side effects. The scheme began after Exjade failed to meet Novartis' internal sales goals and Novartis discovered that refill rates for Exjade were lower than anticipated.

The settlement stems from a whistleblower lawsuit, which was filed in the United States District Court for the Southern District of New York. Iowa's settlement, which is part of a larger national settlement, was negotiated by a team of states led by representatives from the Offices of the Attorneys General for California, Indiana, New York, Oklahoma, Washington, and Wisconsin.

In Iowa, allegations of fraud committed by Medicaid providers are investigated by DIA's Medicaid Fraud Control Unit (MFCU), which participated in the Iowa portion of the Novartis investigation. In addition to provider fraud cases, MFCU investigates alleged abuse and neglect of residents in long-term care facilities that receive Medicaid reimbursements. MFCU also looks into allegations that residents have been defrauded of personal funds or possessions. Iowa's False Claims Act is overseen by the State Attorney General's Office, which approved the settlement agreement on the part of the State of Iowa.

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