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ATTORNEY GENERAL MARTHA COAKLEY'S OFFICE RETURNS \$3.7 MILLION TO MEDICAID PROGRAM IN SETTLEMENT WITH CVS/CAREMARK

*Massachusetts leads investigation resulting in \$36.7 million settlement with the U.S.
Government, 23 states and the District of Columbia*

BOSTON – Today, the Office of Massachusetts Attorney General Martha Coakley, along with federal authorities, 23 other states, and the District of Columbia, entered into a settlement agreement with CVS/Caremark Corporation to settle allegations of billing improprieties. The settlement comes after a seven-year investigation led by the Massachusetts Attorney General's Office, and coordinated with federal and state authorities nationwide. Under the terms of the settlement agreement, CVS/Caremark has agreed to pay \$3,773,911.16 to the Massachusetts Medicaid Program, as well as pay an additional \$150,000 in attorneys' fees and costs to the Commonwealth.

"The Medicaid Program is an important part of the medical safety net for our neediest citizens," Attorney General Martha Coakley said. "In today's economic climate, the state must account for every penny spent. Our office will continue to work in partnership with federal and state officials around the country to investigate allegations that Medicaid providers are using the system improperly for their own financial gain."

The payments, part of a \$36.7 million settlement with the United States, 23 states and the District of Columbia, resolve claims that CVS violated various state and federal statutes and regulations by switching dosage strengths and forms of ranitidine, an antacid medication commonly prescribed for Medicaid patients. The multi-state settlement was the result of negotiations with CVS/Caremark led by a coalition of states, including Massachusetts, and the office of Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois.

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CVS/Caremark, which currently operates retail pharmacies in 38 states, furnishes pharmacy services to Medicaid members throughout the Commonwealth of Massachusetts.

Today's agreement settles allegations that from April 1999 through 2006 CVS filled prescriptions for numerous Medicaid recipients by aggressively switching dosage forms of the anti-ulcer medication Ranitidine (the generic form of Zantac), and that this conduct violated various federal and state statutes and regulations. Investigators found that these switches caused Medicaid programs nationwide to pay CVS substantially more for Ranitidine than they otherwise would have. In each case, the substitution of the Ranitidine capsules for tablets resulted in higher payments under the automated Medicaid reimbursement system, with no corresponding medical benefit to the individuals receiving the prescriptions. The settlement resolves allegations that CVS made wholesale switches of Ranitidine dosage forms without physician involvement and therefore violated the Commonwealth's regulations governing pharmaceutical dispensing.

In addition to the payment of cash settlements to the state and federal governments, CVS/Caremark has agreed to the terms of a Corporate Integrity Agreement ("CIA") with the Office of the Inspector General of the United States Department of Health and Human Services. The CIA includes provisions that will ensure that CVS will not switch dosage forms of medications if the result would increase the costs to third-party payers, including Medicaid, and will subject the company's billing practices to ongoing federal scrutiny.

Under the provisions of the applicable federal and state False Claims Acts, a whistleblower in this matter will receive approximately \$730,000 of the settlement proceeds paid to the participating states and nearly \$3.5 million of the federal recovery.

The Massachusetts investigation was handled by Assistant Attorneys General Robert Patten and Peter Clark, with assistance from Data Analyst Anthony Megathlin, all of Attorney General Coakley's Medicaid Fraud Division. The settlement was the result of negotiations jointly conducted by the United States Attorney's Office for the Northern District of Illinois and the National Association of Medicaid Fraud Control Units, with representatives of the Massachusetts, Ohio, Illinois, New York and Maine attorney generals' offices leading the effort for the states.

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