



NATIONAL ASSOCIATION OF MEDICAID FRAUD CONTROL UNITS

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The National Association of Medicaid Fraud Control Units Announces a \$35 million dollar settlement with Walgreens

The National Association of Medicaid Fraud Control Units announced on June 4 that Walgreen Co. (“Walgreens”) has agreed to pay a \$35 million settlement with the United States, 42 states and the Commonwealth of Puerto Rico, to resolve claims that Walgreens violated various state and federal statutes and regulations by switching dosage forms of three medications commonly prescribed for Medicaid patients, thereby causing Medicaid programs nationwide to pay substantially more for these drugs than they otherwise would have.

Walgreens, which currently operates retail pharmacies in 48 states and Puerto Rico, furnishes pharmacy services to Medicaid recipients. This settlement is the result of a joint federal-state investigation arising from the filing of a false claims act lawsuit in U.S. District Court in Chicago in 2003. The whistleblower’s complaint in that action alleged that Walgreens filled prescriptions for numerous Medicaid recipients by aggressively switching dosage forms of ranitidine (the generic form of Zantac, a commonly prescribed anti-ulcer medication); fluoxetine (the generic form of Prozac, an anti-depressant); and selegiline (the generic form of Eldepryl, used in the treatment of Parkinson’s disease and senile dementia), and that this conduct violated various federal and state statutes and regulations.

Government investigators contend that these improper switching practices continued from July 2001 through 2005, and that the wholesale substitution of alternate dosage forms of these drugs resulted in higher payments under the automated Medicaid reimbursement system, with no corresponding medical benefit to the individuals receiving the prescriptions. This settlement also resolves allegations that Walgreens made these wholesale switches without physician involvement and therefore violated numerous state regulations governing pharmaceutical dispensing.

This settlement is the third and final in a series resulting from investigations of similar conduct by pharmacy providers nationwide. Together, the three cases have brought back more than \$120 million to Medicaid programs around the country.

In addition to the payment of cash settlements to the state and federal governments, Walgreens 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 will include provisions that will ensure that Walgreens does 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.

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 from the Ohio, Illinois, Massachusetts, Florida and Texas Attorneys General Offices leading the effort for the states.