



OIG NEWS

For Immediate Release
March 29, 2005

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OIG SETTLES LARGEST EVER KICKBACK CIVIL MONETARY ACTION AGAINST PHARMERICA

Company Pays \$5.975 Million and Signs 5-Year CIA

Washington, DC – The Office of Inspector General (OIG) today announces a settlement agreement with PharMerica, Inc., and its subsidiary, PharMerica Drug Systems Inc., resolving allegations of illegal kickbacks paid in violation of the Civil Monetary Penalties Law (CMPL).

Under the terms of settlement, PharMerica will pay \$5.975 million and enter into a comprehensive 5-year corporate integrity agreement. The settlement is the most ever paid in an OIG civil monetary penalty kickback case.

“This settlement demonstrates the OIG’s continued commitment to the use of all tools at our disposal to eliminate practices undermining the integrity of Federal health care programs,” said Acting Inspector General Daniel R. Levinson.

OIG brought an administrative action under the CMPL against PharMerica on June 17, 2004, alleging that PharMerica paid an excessive amount of money for a small Virginia pharmacy in return for a commitment from the seller to refer its Medicaid and Medicare pharmacy business for the next 7 years. The seller also owned 17 nursing homes and 8 assisted living facilities with approximately 2,800 residents. The purchase price for the Roanoke

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pharmacy, Hollins Manor 1 (HM1), which had virtually no operating history, was \$7.2 million.

Under the CMPL, OIG may seek civil monetary penalties, assessments or damages, and exclusion for a wide variety of conduct, including violations of the Anti-Kickback Statute. In this case, OIG charged that PharMerica's purchase of HM1 violated the Anti-Kickback Statute's prohibition on the payment of remuneration to induce the referral of Federal health care business. The Anti-Kickback Statute is designed to protect Federal health care programs and their beneficiaries from the insidious evils of kickbacks, including the inappropriate steering of patients, unfair competition, and overutilization of items and services furnished to program beneficiaries.

PharMerica, which is headquartered in Tampa, Florida, is one of the nation's largest institutional pharmacies. It specializes in the provision of pharmacy supplies and services to long-term care institutions. PharMerica is a wholly owned subsidiary of AmerisourceBergen Corporation, a global supplier of pharmaceuticals, medical-surgical supplies, specialty health care products, and related services.

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