

\$34 MILLION SETTLEMENT

Cardinal to pay fine over drug sales

Friday, October 3, 2008 3:11 AM

BY MIKE PRAMIK

THE COLUMBUS DISPATCH

Cardinal Health has reached a settlement with the U.S. Drug Enforcement Administration and seven U.S. attorney's offices that will allow it to resume shipments of controlled substances from all of its warehouses.

The Dublin drug distributor agreed last night to pay \$34 million in civil penalties for allegedly violating provisions of the Controlled Substances Act, which governs the distribution of certain addictive drugs. The DEA alleged that Cardinal failed to notify the federal agency of suspicious shipments of drugs such as hydrocodone, commonly sold as Vicodin, to pharmacies that later illegally sold the medication over the Internet.

Rogue Internet pharmacies have become a focus of the federal government in the past two years as the number of cases of prescription drug addiction, partially fueled by easy Internet access, continued to rise. Congress this week passed and sent to President Bush a bill designed to regulate Internet pharmacy sales.

"Cardinal's negligent conduct contributed to our nation's serious pharmaceutical abuse problem," said DEA Acting Administrator Michele M. Leonhart.

Last year the DEA suspended the controlled-substance registrations of three of Cardinal Health's two dozen warehouses. The warehouses are in Swedesboro, N.J.; Auburn, Wash.; and Lakeland, Fla. Cardinal, while not admitting wrongdoing, agreed to settle.

The fines will be paid to U.S. attorney's offices in Florida, Texas, Washington, New Jersey, Georgia, California and Colorado. The largest payment, \$16 million, will go to the U.S. attorney's office in the Middle District of Florida.

The sales were legal because the pharmacies that purchased the drugs had valid licenses. But a provision of the Controlled Substances Act requires distributors such as Cardinal to closely monitor where its shipments wind up.

Cardinal has admitted it failed to prevent the diversion of all of its controlled-substance deliveries. It said since the DEA temporarily suspended the shipments that it has spent more than \$20 million to beef up its compliance operations.

"Protecting the integrity of the pharmaceutical supply chain is a responsibility we take very seriously, and preventing prescription drug abuse is a public-policy goal that Cardinal Health fully supports," said R. Kerry Clark, Cardinal chairman and chief executive, in a statement.

Company officials have said suspension of the registrations has caused Cardinal to lose up to \$1

billion in revenue this year. Cardinal is the largest publicly traded company in Ohio. During the fiscal year that ended June 30, it had \$91.1 billion in sales.

Cardinal said it is currently restocking the three warehouses and anticipates resuming controlled-substance shipments by the end of November. Cardinal also said it resumed shipping controlled substances from its Stafford, Texas, warehouse this week after voluntarily suspending them earlier this year.

This week Cardinal said it would spin off its clinical and medical products division from its pharmaceutical and medical supply chain business.
