

US Slaps ₹240-cr Fine on Ranbaxy over Inflated Drug Prices

State of Texas has imposed fine on co this time for fraud in its Medicaid programme

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New Delhi: Ranbaxy Laboratories may have to pay another hefty fine in the United States of close to ₹240 crore, this time imposed by the State of Texas, people familiar with the matter told ET. The company has been in negotiation with the US state over settlement of this lawsuit for quite some time now, they

added. While final details are awaited, one of the persons quoted above said the fine could be broadly split into two components. One of this, about 38%, could relate to some additional doses that the state may have claimed on account of Ranbaxy's previous slippages from the US-prescribed manufacturing practices, which led to its coughing up \$300 million as fine in the US in May last year.

However, a second component of about 61% of the settlement sum could be flowing from an assessment by the US state, which shows that the drugmaker has overcharged the state of Texas on one or more drugs under its public-funded Medicaid programme, he said. ET couldn't verify further specific

of the case, and the offices of Greg Abbott, Attorney General of Texas, refused to comment on the matter. "The Attorney General's Office cannot acknowledge the existence or non-existence of the settlement you inquire about. We have no comment," Lauren Bean, deputy communications director, Texas Attorney General's Office, told ET over an email.

A Ranbaxy spokesperson refused to comment on the matter. In its first quarter results, Ranbaxy Labs surprised everyone by making a one-time provision of ₹237 crore. It was mainly on this account that the company, which is Mumbai-based rival Sun Pharmaceutical, agreed to acquire early this year, posted a net loss of ₹186 crore in the

quarter. The drugmaker said in July that it is keeping the sum aside for specific ongoing settlement discussions with government authorities in the US, but its management refused to disclose any further details on the nature of discussions. It is having with the

US government. In an investor call that followed, "This provision of ₹237 crore for settlement with the US government authorities came as a total surprise," said Ranjit Kapadia, senior vice president at Centum Broking. Sun Pharma said in April that it would acquire Ranbaxy from its Japanese parent Daiichi Sankyo in a transaction worth \$4 billion, and hopes to complete the deal by the year-end. Since early 2000, the state of Texas has been particularly active in investigating Medicaid-related "frauds", including those where dozens of drugmakers have been accused of reporting inflated drug prices to the Medicaid programme directly leading to overpayment by the Texas gov-



ernment. Usually a dedicated arm at the Texas Attorney General's office called the Civil Medicaid Fraud Division probes these cases. Since 2002, this division's recoveries for the state of Texas have surpassed the \$500 million mark — while total recoveries now exceed \$1.46 billion, reckons a Texas government estimate.

In fact, only last week, Texas settled one such case with the US arm of Taro Pharma, the Israel-based subsidiary of Sun Pharma, making it shell out \$19.5 million to be shared by the state and federal government there. Texas AG alleged that Taro had misreported prices of various drugs to the Medicaid programme,

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