



Press Releases

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MADIGAN: TEVA PHARMACEUTICAL TO PAY \$27.6 MILLION TO SETTLE FALSE CLAIMS TO FEDERAL AND STATE HEALTH CARE PROGRAMS

Chicago — Attorney General Lisa Madigan announced today that Teva Pharmaceuticals USA Inc. and subsidiary IVAX LLC will pay the United States and the state of Illinois more than \$27.6 million to resolve false billing allegations, under terms of a settlement agreement.

The agreement settles claims that Teva and IVAX violated the federal False Claims Act by making payments to Dr. Michael J. Reinstein, a Chicago physician, in return for Reinstein prescribing an anti-psychotic medication to thousands of Medicare and Medicaid patients at dozens of area nursing homes and hospitals.

“Teva Pharmaceuticals pushed its drug onto thousands of vulnerable patients without regard to their health and at the expense of the state Medicaid program and Illinois taxpayers,” Madigan said.

Within 10 days, Teva will pay the federal government nearly \$15.5 million and the state of Illinois more than \$12.1 million, plus interest from September 2013. The settlement was reached jointly by Madigan’s office, the U.S. Department of Justice (DOJ), the U.S. Attorney’s Office for the Northern District of Illinois on behalf of the U.S. Department of Health and Human Services and the Illinois Department of Healthcare and Family Services. Teva Pharmaceuticals USA, located in North Wales, Pa., and IVAX LLC, a Florida company, are both subsidiaries of Teva Pharmaceuticals Industries Ltd., which is headquartered in Israel.

“Pharmaceutical companies must not be allowed to improperly influence physicians’ decisions in prescribing medication for their patients,” said Zachary T. Fardon, United States Attorney for the Northern District of Illinois. “Instead, those decisions must be made solely on the basis of the patient’s best medical interests.”

“The Department of Justice is committed to ensuring that pharmaceutical manufacturers who pay kickbacks to doctors to influence prescribing decisions are held accountable,” said Assistant Attorney General Stuart F. Delery for the Justice Department’s Civil Division. “Schemes such as the one alleged in this case undermine the health care system and take advantage of vulnerable patients.”

The settlement involves the promotion of generic clozapine, a rarely used anti-psychotic medication that has serious potential side effects and is generally considered a drug of last resort, particularly for elderly patients. While clozapine has been shown to be effective for treatment-resistant forms of schizophrenia, it is also known to cause numerous side effects, including a potentially deadly decrease in white blood cells, seizures, inflammation of the heart muscle, and increased mortality in elderly patients.

In November 2012, the United States filed a civil False Claims Act lawsuit in U.S. District Court in Chicago against Reinstein, alleging that, since at least August 2003, he schemed to switch his patients to generic clozapine if IVAX agreed to pay him \$50,000 under a one-year “consulting agreement” and provide other benefits to him, in violation of the federal Medicare and Medicaid Anti-Kickback statute.

Reinstein, a psychiatrist in the Chicago area since 1973 with an office in Chicago’s Uptown neighborhood since at least 1999, quickly became the largest prescriber of generic clozapine in the country. The payments and other forms of remuneration from Ivax, and later Teva Pharmaceuticals, including annual renewal of the consulting agreement, travel, meals and entertainment expenses, and tickets to sporting events, continued through at least November 2009. In addition to direct payments to Reinstein, Ivax also provided an all-expenses-paid trip to Miami for Reinstein, his wife, and various employees of Reinstein.

The alleged scheme resulted in the submission of more than 100,000 false claims to Medicare Part D and Illinois Medicaid. The civil case against Reinstein remains pending in Federal Court in Chicago.

Federal law prohibits offering, paying, soliciting or receiving remuneration to induce referrals of items or services covered by Medicare, Medicaid and other federally funded programs. The law is intended to ensure that a physician's medical judgment is not compromised by improper financial incentives and is instead based on the best interests of the patient.

The settlement was the result of a coordinated effort by the U.S. Attorney's Office for the Northern District of Illinois, the Civil Fraud Section of the Commercial Litigation Branch of the Justice Department's Civil Division, the Department of Health and Human Services Office of Inspector General, the Chicago Office of the Federal Bureau of Investigation, and Madigan's Office.

The settlement agreement is neither an admission of liability by Teva or IVAX, nor a concession by the United States or the State of Illinois that their claims were not well-founded.

Assistant Attorney General Robert Barba handled the case for Madigan's Medicaid Fraud Bureau. Assistant U.S. Attorney Eric S. Pruitt represented the U.S. Attorney's Office.

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