

Swine flu vaccine supplier has to pay back millions

US pharmaceutical giant Baxter accused of overcharging Medicaid programmes

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Two year-old Trinity Gilmore, gets one of the first doses of the H1N1 vaccine at Rush University Medical Center in Chicago, Illinois, USA, 06 Oct 2009. Photograph: Tannen Maury/EPA

A company producing [swine flu](#) vaccine for Britain has paid millions of pounds in out-of-court settlements after being accused of fraudulently overcharging for medicines.

Baxter, the US pharmaceutical giant, reached at least seven huge settlements over the past 12 months, some of them for millions of dollars. The company had been accused of fraud amid allegations that it had overpriced medicines by as much as 1,300%.

The disclosure comes days after Baxter's vaccine, Celvapan H1N1, was given approval by the European Medicines Agency and will raise fears about the growing costs of the swine flu pandemic. Vaccines are expected to cost the government £155m over the next four years.

Baxter became involved in prolonged litigation after being accused of fraudulently overcharging Medicaid, the US health programme that provides a safety net for the poorest families. Executives from the company paid out \$2m to the Kentucky state government this year. Jack Conway, the Kentucky attorney general, said: "All of this could have been easily avoided if Baxter... had done what the law requires: report truthful prices.

"Taxpayers are footing the bill for these inflated drug prices, and my office is seeking to recover the money the Medicaid programme lost as a result of this deception and overpayment."

Medicaid relies on published average wholesale prices (AWPs) to calculate the cost of medicines which pharmaceutical companies then provide at a reduced rate. But several US states have accused a series of pharmaceutical companies of grossly overinflating the AWPs. Seven other states have reached settlements with Baxter: Texas, Alabama, California, Hawaii, Alaska, Illinois and Wisconsin.

In May, Baxter was one of six pharmaceutical manufacturers that agreed to pay \$89m to the state of Alabama. In February this year Baxter paid out \$1.1m to Wisconsin. Three years ago the company agreed to pay out \$8.5m to Texas.

Baxter was one of five companies that paid California state authorities \$22.5m following accusations of Medicaid fraud, and the company also paid out \$400,000 to Hawaii. In Alaska, Baxter agreed to pay compensation to settle a court claim. The company is also facing court action in Mississippi. Illinois has recovered \$6.8m from Baxter, according to reports.

Despite the scandal, Baxter was one of two companies awarded the contract to produce 132 million doses of vaccine for Britain. The other company, GlaxoSmithKline, received a "positive opinion" for its drug, Pandemrix, last month. Britain is reported to have ordered enough swine flu vaccine to give each person two doses. The growing cost of the vaccines has prompted concerns from politicians, but the Department of Health and the drug companies have declined to say exactly how much each vaccine costs.

Norman Lamb, the Liberal Democrat health spokesman, wrote to the National Audit Office in July asking whether the contract with GSK represented value for money. The National Audit Office has replied and is broadly happy with the deal, according to reports.

Sir Liam Donaldson, the government's chief medical officer, said that while swine flu could still cause potentially fatal complications Britain may have had a "lucky break" with a second wave of illness being lower than expected.

A spokeswoman for Baxter said that similar settlements with US states have been paid out by many other US drug companies and arose because of the unusual purchasing system employed by the Medicare system. "Baxter was in no way trying to defraud the system and has acted in a responsible, lawful and transparent manner. We will continue to work closely with the British authorities," she said.