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**ATTORNEY GENERAL RAOUL ANNOUNCES OVER \$230 MILLION SETTLEMENT WITH
PHARMACEUTICAL MANUFACTURER**

Settlement Resolves Allegations Mallinckrodt Underpaid Medicaid Drug Rebates

Chicago — Attorney General Kwame Raoul today announced a more than \$233 million bipartisan national settlement with Mallinckrodt ARD, LLC (formerly known as Questcor Pharmaceuticals Inc.), which is a U.S. subsidiary of the Irish pharmaceutical company Mallinckrodt PLC (MNK). Illinois will receive more than \$3.1 million as part of the settlement, which includes all 50 states, Washington D.C., Puerto Rico and the federal government.

MNK sells and markets pharmaceutical products throughout the country and its U.S. headquarters are located in Bedminster, New Jersey. Raoul and the government agencies allege that MNK violated the Federal False Claims Act, which resulted in the submission of false claims to Illinois' Medicaid program.

"At a time when high prescription drug prices force many Americans to choose between the medications they require and other necessities, it is inexcusable that pharmaceutical manufacturers intentionally abuse programs relied on by some of our most vulnerable residents," Raoul said. "This settlement holds Mallinckrodt accountable for submitting false claims to Illinois' Medicaid program and sends a message that Medicaid fraud will not be tolerated."

"It is irresponsible when a drug manufacturer defrauds a program designed to provide medical and personal care services to individuals with limited resources," said Illinois State Police Director Brendan F. Kelly. "The Illinois State Police Medicaid Fraud Control Bureau is dedicated to investigating fraudulent behavior so that those responsible are held accountable for their actions."

The settlement resolves allegations that between Jan. 1, 2013 and June 30, 2020, MNK knowingly underpaid Medicaid rebates due for its drug, H.P. Acthar Gel (Acthar). The Medicaid Drug Rebate Program requires pharmaceutical manufacturers to pay the Medicaid program a per-unit rebate when the manufacturer increases a drug's price faster than the rate of inflation. That rebate should amount to the difference between the drug's current price and the price if it had increased at the general rate of inflation since 1990 or the year the drug first came to market, whichever is later.

Raoul and the government allege that although Acthar was first introduced to the market in 1952, MNK and its predecessor Questcor began paying rebates for Acthar in 2013 – as if Acthar was a new drug just approved by the U.S. Food and Drug Administration (FDA). By doing so, the companies essentially ignored all pre-2013 price increases when calculating and paying Medicaid rebates for Acthar from 2013 until 2020. By 2013, Acthar's price had already risen to over \$28,000 per vial. Raoul and the government allege that ignoring all pre-2013 price increases for Medicaid rebate purposes significantly lowered Medicaid rebate payments for Acthar.

Under the settlement agreement, MNK admits that Acthar was actually approved by the FDA and marketed prior to 1990 – and was not a new drug in 2013. MNK also agrees to correct Acthar's base date average manufacturer price and to not change the date in the future.

As part of the settlement, Illinois is receiving more than \$3.1 million in eight installments, the first of which the state received today. The funding will be distributed according to the Illinois False Claims Act with one-sixth of the funds paid to the Attorney General Whistleblower Reward and Protection Fund, and one-sixth

paid to the Illinois State Police Whistleblower Reward and Protection Fund. Additional payments will be made to the whistleblowers in the lawsuit, with any remaining funds going to the state's General Revenue Fund.

The Illinois State Police, Medicaid Fraud Control Bureau receives 75% of its funding from the U.S. Department of Health and Human Services under a grant award totaling \$8,922,172 for federal fiscal year (FFY) 2021. The remaining 25%, totaling \$2,974,057 for FFY 2021, is funded by the state of Illinois.

Today's settlement is the result of a whistleblower lawsuit originally filed in the U.S. District Court for the District of Massachusetts. The federal government, 26 states, the District of Columbia and Puerto Rico intervened in the civil action in 2020. The settlement, which is based on MNK's financial condition, required final approval of the U.S. Bankruptcy Court for the District of Delaware, which approved the settlement on March 2.

Deputy Bureau Chief Elisa Hamilton and Assistant Attorney General Melissa Guske handled the case for Raoul's Medicaid Fraud Bureau.