

Mallinckrodt Documents – Collecting Data on Downstream Sales

Key finding: Under the pharmaceutical industry’s “chargeback” system, Mallinckrodt committed to reimbursing wholesale distributors whenever these distributors sold Mallinckrodt drugs to pharmacies at prices below an agreed-upon baseline rate. To obtain those reimbursements, distributors were expected to supply Mallinckrodt with detailed data on sales to their own downstream clients. Such “chargeback” data provided Mallinckrodt with extensive information on the clients of its clients and the movement of its drugs down the point of sale.

Why this is important: Manufacturers of narcotic drugs have a legal obligation to prevent their product from being diverted toward illicit uses. Mallinckrodt could have tapped into its extensive chargeback data to identify which of its distributor clients resold Mallinckrodt drugs in suspicious amounts or to suspicious drug retailers, including to a number of notorious “pill mills” in South Florida. However, the company ignored the evidence of likely diversion contained in those data.

Evidence

Document Title: Keysource Oxycodone Sales

OIDA ID: <https://idl.ucsf.edu/opioids/docs/#id=xrnc0243>

Date: 2010-08

Description: In this email from Kate Muhlenkamp, product manager, to Victor Borelli, national account manager, they discuss clients who were cut off from HD Smith Wholesale following their legal troubles and shifted to KeySource. She suggests Borelli share the [list](#) with KeySource, adding “we’re not suggesting that KeySource adhere to HD Smith’s methods.” This provides an example of how the company could be able to limit diversion of products using chargeback reports and communicating with clients.

Document Title: [RE: Requesting Info: Dollars of Sales, Oxycodone 15 and 30 mg to Florida per year]

OIDA ID: <https://idl.ucsf.edu/opioids/docs/#id=gyfc0242>

Date: 2010-09

Description: At the [request](#) of Karen Harper, manager of controlled substance compliance, Muhlenkamp pulled a sales report for Oxycodone sales in Florida. The report shows marked increases, particularly between 2008 and 2009.

Document Title: [Victor Borelli exhibits, pp. 77-78]

OIDA ID: <https://idl.ucsf.edu/opioids/docs/#id=nlnv0249>

Date: [2009?]

Description: A sample of data pulled from the chargeback system as a deposition exhibit, these spreadsheets are sorted to show orders shipped to customer Barry Schultz, one in the name of Sunrise Wholesale and the other to Harvard Drug/DBA First Veterinary Supply. Sunrise was audited and had its license suspended; Dr. Barry Schultz is serving a prison sentence for running a pill mill in Florida.

Document Title: Updated Suspicious Order Monitoring Customer Checklist for Wholesaler

OIDA ID: <https://idl.ucsf.edu/opioids/docs/#id=kzyf0237>

Date: 2011-04

Description: Harper and Steven Becker, regional sales manager, discuss in this email a draft questionnaire to assess the quality of wholesalers' monitoring programs. Becker's involvement in developing and assessing the questionnaire demonstrate his understanding of how to monitor for suspicious orders.

Document Title: RE: Customer Demand Management and Allocations

OIDA ID: <https://idl.ucsf.edu/opioids/docs/#id=rnph0240>

Date: 2009-02

Description: Muhlenkamp emails the generic sales team noting that the company has "ramped up our supply capabilities surrounding Oxycodone IR over the past 8 months and have done a tremendous job of meeting historic demand." She also addresses concerns about a significant backorder, citing an Ethex recall as increasing demand from Mallinckrodt beyond their manufacturing output capacity.

Document Title: RE: [RxNews] Grand Jury wants to crack down on pill mills, Ft Lauderdale, Florida

OIDA ID: <https://idl.ucsf.edu/opioids/docs/#id=pqjk0242>

Date: 2009-11

Description: Harper discusses with John Adams, vice president of sales, and Borelli what information they should share about crackdowns on Florida pill mills with other Mallinckrodt sales and account managers, and what information those sales representatives should then pass along to their customers.

Document Title: FW: Oxycotin [sic] Article from St. Louis Post Dispatch

OIDA ID: <https://idl.ucsf.edu/opioids/docs/#id=rjyf0237>

Date: 2011-06

Description: Bonnie New, regional sales manager, forwards an [article](#) that notes that while Purdue's tamper-resistant OxyContin is reducing demand for that formulation, users have turned to other narcotics like Opana and heroin. New wrote: "Interesting read. I think it supports our suspicions in regard to the increased usage of the Oxy 30mg."