

# Parent Company Of Defunct Pharmaceutical Manufacturer Reaches \$17 Million False Claims Act Settlement With Federal And State Governments

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The Department of Justice announced last week that KV Pharmaceutical Company, a St. Louis-based drug manufacturer, will pay \$17 million to resolve False Claims Act allegations that its now-defunct subsidiary had submitted false quarterly reports to the government about two of its drugs. Under the terms of the settlement, the federal government will receive roughly \$10 million and state Medicaid programs will receive roughly \$6.8 million.

The charges alleged that one of KV's defunct subsidiaries, Ethex Corporation, failed to advise the Centers for Medicare and Medicaid Services that two of its unapproved products did not qualify for coverage. Ethex submitted the false quarterly reports to the government about two of its drugs, Nitroglycerin ER and Hyocyanine ER, neither of which had ever received full regulatory approval for safety and effectiveness. The Department of Justice contended that, by misrepresenting the regulatory status of these drugs, Ethex knowingly caused false claims to be submitted to government health care programs, and that it received reimbursement for unapproved drugs.

Since January 2009, the Department of Justice has used the False Claims Act to recover nearly \$6.5 billion in cases involving fraud against federal health care programs. For more information, see [here](#).