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► By Elizabeth Orr

Roche Diagnostics Corp. has blocked a network of southern pharmacies from distributing or billing for its *Accu-Chek* diabetic tests strips due to rebate fraud allegations.

The manufacturer filed suit against Priority Healthcare Corp. and its owners on Sept. 11 in the US District Court for the Northern District of Alabama. Roche says Priority Healthcare repeatedly submitted false claims to insurers for brand-name test strips, while supplying customers with cheaper generic versions. The pharmacies also filed the false sales reports with Roche's rebate program for test-strip buyers.

"Every day that the Priority Care enterprise is permitted to continue submitting fraudulent insurance claims for Roche's blood-glucose test strips, Roche is being defrauded and diabetes patients are receiving expired or damaged products, different products than what was prescribed for them, or a different product than that which they are entitled to receive," the complaint reads.

An injunction issued Sept. 17 blocked Priority Healthcare from selling or billing for *Accu-Chek* test strips. Additionally, Judge Karon Owen Bowdre gave Priority Healthcare an Oct. 2 deadline for handing over information about pharmacies owned by the defendants and information about all claims for *Accu-Chek* test strips the pharmacies have dispensed since Jan. 1, 2013.

The chain reportedly opened more than a dozen new locations throughout Alabama and Mississippi, changed its billing address, and even listed multiple family members and employees of operator Phillip Anthony Minga as official owners of the pharmacies to evade detection. In total, Roche estimates Priority Healthcare may

have filed more than 700,000 false claims for *Accu-Chek*, costing the company about \$37.5m in fraudulent rebates.

A source close to the case said Priority Healthcare likely defrauded rebate programs from other major manufacturers as well, which could bring the total stolen to close to \$100m.

Records indicate that Phillip Minga's licenses to sell insurance and securities in Mississippi have been suspended over fraud charges. Additionally, earlier allegations of kickbacks, telemarketing violations and failure to deliver billed-for product have lead the US government to block Minga from billing Medicare for home health supplies. Roche's complaint alleges that while Phillip Minga controlled the pharmacies' day-to-day operations, most of them were officially owned by his wife, Konie Minga, to subvert those restrictions.

Peggy Sanford, a spokesperson for the US Attorney's Office for the Northern District of Alabama, said she couldn't comment on whether law enforcement is also exploring charges against the Priority Care network or its owners. "Very generally speaking, in order to charge a health-care fraud, there has to be evidence that individuals or entities knowingly and willfully executed or attempted to execute a scheme to defraud a health-care benefit program," she said.

Priority Healthcare does not comment on ongoing litigation, an attorney for the company said.

Geoff Potter of Patterson Belknap Webb & Tyler LLP is representing Roche.

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