

Valeant board forms committee to look into Philidor ties

October 26 2015, by Tom Murphy



This May 27, 2013, file photo, shows the head office and logo of Valeant Pharmaceuticals in Montreal. Valeant Pharmaceuticals announced Monday, Oct. 26, 2015, that it is forming a committee to delve into the drug company's relationship with the specialty pharmacy Philidor, which was the target of a scathing research report a week earlier. (Ryan Remiorz/The Canadian Press via AP, File)

Valeant Pharmaceuticals promised a thorough examination of its dealings with a pharmacy that was targeted in a scathing research report

last week, though the company on Monday stood by its financial accounting of that relationship.

Valeant also said that it has asked federal regulators to investigate the short-sellers investment firm that put out the report, with Valeant CEO J. Michael Pearson comparing the actions of its founder to someone yelling fire in a crowded theater.

A special board committee is being created to examine issues that include a Wall Street Journal report that said Valeant employees using fake names on emails were placed at the pharmacy, called Philidor, as the smaller company was starting up

"We take this matter seriously and it is one of the issues that will be reviewed by the (board) committee," Valeant Chief Compliance Officer Seana Carson said during a Monday morning conference call.

The Canadian drug company uses pharmacies like Philidor to help deliver its drugs more quickly to patients through the mail.

The Journal, citing some sources it did not name, said Valeant employees worked directly in Philidor offices and used the fake names to guard against the appearance that Valeant was using the pharmacy to steer patients toward its drugs.

Philidor did not immediately return a call from The Associated Press seeking comment.

Valeant said it also will investigate why Philidor was denied last year a permit to operate in California. The state's pharmacy board cited, among other reasons, false statements from its CEO, Matthew S. Davenport, some in reference to the true ownership of the company.

Valeant planned Monday's conference call last week after the research firm Citron said that it appears Valeant and Philidor have created a network of phantom pharmacies to trick auditors.

Citron is a short seller's research firm that publishes reports in hopes of triggering a stock reaction. A short seller bets that the stock will fall and can make a huge profit if it does.

Valeant said Monday that its full board and an audit and risk committee found its accounting treatment of the Philidor relationship to be appropriate.

Chairman and CEO J. Michael Pearson added that the drug company has asked the Securities and Exchange Commission to investigate Citron and its founder, Andrew Left, saying that Left wanted to create a panic.

"He wanted people to run," Pearson said.

Valeant disclosed last week during a conference call to discuss earnings that it had purchased an option late last year to buy Philidor. Citron also questioned why the drug company had not previously disclosed this development.

Valeant executives said Monday they didn't consider it material enough to be worthy of disclosing. They noted that the Philidor business represents less than 7 percent of Valeant's revenue.

Valeant has been targeted for criticism in recent years for its focus on buying drug developers, hiking prices on the products it acquires and slashing spending on research into new drugs.

The Laval, Quebec, company drew the attention of Congress following its purchase of the life-saving heart drugs Nitropress and Isuprel. The

company jacked up prices on both drugs shortly after buying them from Marathon Pharmaceuticals in February, tripling one and raising the other sixfold.

Valeant recently revealed that federal prosecutors have subpoenaed documents tied to its drug pricing and other policies.

Drugmakers in general are facing growing scrutiny over the soaring price of some prescriptions, especially specialty medicines, which are usually injected drugs that treat complex chronic health conditions

Shares of Valeant Pharmaceuticals International Inc. traded in the U.S. slipped 55 cents to \$115.61 in midday trading Monday.

Valeant's stock hit an all-time high of \$263.81 in August, but the price has been cut in half over the past three months.

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