

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

**HORIZON HEALTHCARE SERVICES, INC.
D/B/A HORIZON BLUE CROSS BLUE
SHIELD OF NEW JERSEY,**

Plaintiff,

v.

REGENERON PHARMACEUTICALS, INC.,

Defendant.

Case No. _____

COMPLAINT

DEMAND FOR JURY TRIAL

Plaintiff Horizon Healthcare Services, Inc. d/b/a Horizon Blue Cross Blue Shield of New Jersey (“Horizon”) alleges the following against Defendant Regeneron Pharmaceuticals, Inc.:

Parties

1. Plaintiff Horizon, New Jersey’s oldest and largest health insurer, is a tax-paying, not-for-profit health service corporation, providing a wide array of medical, dental, vision and prescription insurance products and services for its 3.4 million members. Horizon is authorized and established under the New Jersey Health Services Corporations Act, N.J.S.A. 17:48E-1, et seq., with its principal place of business at Three Penn Plaza East, Newark, New Jersey 07105.

2. Horizon provides, among other things, (a) Medicare benefits through contracts with the Centers for Medicare and Medicaid Services (“CMS”) for Medicare beneficiaries through various Medicare Advantage plans offered under Medicare Part C, and prescription drug benefits under Medicare Part D; and (b) private commercial health plan benefits that cover medical expenses and prescription drug costs incurred by plan beneficiaries on an individual or group basis.

3. Horizon, either directly or through its health insurance plan subsidiaries, insures and administers health insurance benefits for its members and group customers, including self-funded

group customers that contract with Horizon and its health insurance plan subsidiaries to, among other things, administer the processing of claims on their behalf and to pursue recoveries related to those claims.

4. Regeneron Pharmaceuticals, Inc. (“Regeneron”) is a New York corporation with its principal place of business at 777 Old Saw Mill River Road, Tarrytown, New York 10591. Regeneron is a publicly traded pharmaceutical company with a market capitalization of more than \$75 billion (as of March 31, 2022).

Summary

5. Regeneron manufactures and sells Eylea (aflibercept), a prescription drug administered by injection for the treatment of wet age-related macular degeneration (“wet AMD”), an eye disease that can render patients legally blind. Since 2012, Eylea’s wholesale list price has been \$1,850 per treatment.

6. Although a competing and equally effective drug, Avastin, cost only about \$55 per treatment during the same period, Eylea’s sales have far exceeded the sales of Avastin or any other alternative drug. Regeneron has reaped billions of dollars in annual revenue from Eylea’s sales.

7. Since 2012, Regeneron has built Eylea’s market dominance and maintained its exorbitant price through an illegal scheme that directly injured Horizon and other health insurance plans. On a regular basis, Regeneron transferred funds to a so-called “charity,” the Chronic Disease Fund, Inc. (“CDF”), to provide financial assistance to patients for their out-of-pocket share of Eylea’s costs. Pursuant to a secret arrangement between Regeneron and CDF, the funds provided by Regeneron were calculated to cover patients’ out-of-pocket costs for Eylea but not for competing drugs. Regeneron’s arrangement with CDF made Eylea cheaper for patients—but not for the Medicare program or for private healthcare plans—in comparison with alternative drugs.

8. As a result, Regeneron gained an unfair advantage over its competitors by

distorting the cost of Eylea in the view of patients and their prescribers, while increasing the costs borne by Medicare and private healthcare plans. The payments funneled by Regeneron through CDF operated as kickbacks to patients who otherwise had a contractual incentive to choose an equally effective but lower-cost drug. Regeneron's scheme thus violated the federal Anti-Kickback statute, among other laws.

9. Regeneron concealed its illegal scheme from the public, including Horizon and other health insurance plans, until the scheme was exposed by an action against Regeneron filed by the U.S. Department of Justice in June 2020 (the "DOJ Action"). *United States v. Regeneron Pharms, Inc.*, No. 20-CV-11217-FDS (D. Mass.).

10. As described in further detail below, evidence revealed by the DOJ Action demonstrates not only Regeneron's extensive coordination with CDF, but also Regeneron executives' awareness that this coordination violated federal law, and that wet AMD patients and prescribers would opt for Avastin in the absence of Regeneron's kickback funding.

11. To date, Horizon has paid more than \$180 million to cover patients' costs with respect to Eylea, including nearly \$1 million in Massachusetts. Regeneron's illegal scheme targeted claims for Eylea paid by Horizon and other health insurance plans.

12. Because Horizon was directly injured by Regeneron's scheme, Horizon brings this action under the federal Racketeer Influenced and Corrupt Organizations ("RICO") Act, state consumer protection statutes, and state law governing fraudulent concealment, tortious interference with contractual relationships, and unjust enrichment.

Background

13. The U.S. Food and Drug Administration approved Eylea as a treatment for wet AMD in 2011. Soon thereafter, Regeneron developed a covert pricing strategy for Eylea: by paying patients' out-of-pocket costs through a supposedly independent "charity," Regeneron could

neutralize the incentive systems used by Medicare and private healthcare plans to guide covered patients to lower-cost but equally effective drugs.

14. By reducing or even eliminating patients' and prescribers' cost-sensitivity, Regeneron's scheme increased market demand for Eylea over less expensive alternative drugs, maintained Eylea's exorbitant price, and shifted a higher percentage of Eylea's net cost to health insurance plans, including Horizon. Pursuant to this scheme, Regeneron gained far more in sales revenue than it paid to the supposed "charity."

15. Regeneron implemented its scheme in close coordination with CDF. On a regular basis, Regeneron and CDF discussed the amount of funds needed to cover the anticipated cost-sharing obligations of patients using Eylea. Regeneron then transferred the necessary funds to CDF with the understanding and agreement that the funds would be used solely for the benefit of Eylea patients, as opposed to patients using alternative drugs.

16. Regeneron's scheme rendered Eylea cost-free in the view of patients and their prescribing physicians, while healthcare plans paid Eylea's entire net cost. In effect, Regeneron's scheme covertly funneled illegal kickbacks to patients through CDF, giving patients and their prescribers a powerful financial incentive to choose Eylea over alternative drugs. When choosing among alternative drugs, patients naturally prefer drugs that are cheaper or even cost-free. Similarly, prescribers naturally favor alternative drugs that their patients can more easily afford.

17. Regeneron widely advertised to patients and physicians the availability of CDF's financial assistance for Eylea's out-of-pocket costs. Regeneron did so through a program called "EYLEA4U," which Regeneron implemented in concert with CDF and The Lash Group LLC (the "Lash Group"), a pharmaceutical industry consulting firm. The EYLEA4U program connected patients and prescribers with CDF, assisted them in submitting claims to health insurance plans such as Horizon, and facilitated the plans' payment of claims tainted by Regeneron's illegal

kickbacks.

18. Regeneron, CDF, and the Lash Group never disclosed to Horizon and other health insurance plans, or to the public at large, the illegal aspects of Regeneron's relationship with CDF. In particular, they concealed the fact that Regeneron's funding of CDF was designed to cover anticipated demand by Eylea patients exclusively. Moreover, as recently disclosed in the DOJ Action, Regeneron executives concealed from the company's own auditors the nature of Regeneron's relationship with CDF.

19. Regeneron's scheme was remarkably successful. Despite its exorbitant cost, Eylea quickly became the best-selling treatment for wet AMD in the United States, far outstripping any competing product. In 2020 alone, Eylea generated almost \$5 billion in sales revenue for Regeneron.¹ Eylea is by far Regeneron's best-selling product.

20. Medicare programs have spent over \$17 billion to cover the cost of Eylea from 2013 through 2020. CMS Drug Spending, <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Information-on-Prescription-Drugs>. Medicare Part B spent more for Eylea than any other drug in 2019. Medicare Part B Drug Spending Dashboard, <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Information-on-Prescription-Drugs/MedicarePartB>. CMS, the agency that administers Medicare, recently singled out Eylea as illustrating the nation's drug-pricing problems, stating: “[T]he top-selling Medicare Part B drug—a common eye drug (Eylea) —was approximately two times as expensive in Medicare Part B as in comparison countries.” The government thus cited Eylea as a prime example of the need to reform a dysfunctional and “anti-competitive” system that “leaves taxpayers and American seniors on the hook for paying the highest drug costs in the world.”

¹ In addition, Eylea is sold by Bayer outside the U.S. and generated approximately \$3 billion in foreign 2020 sales.

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