

US opioid epidemic

## What next for the Sacklers? A pharma dynasty under siege

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An investigation into the unfolding scandal of a company accused of fuelling America's opioid crisis

David Crow in New York SEPTEMBER 7, 2018

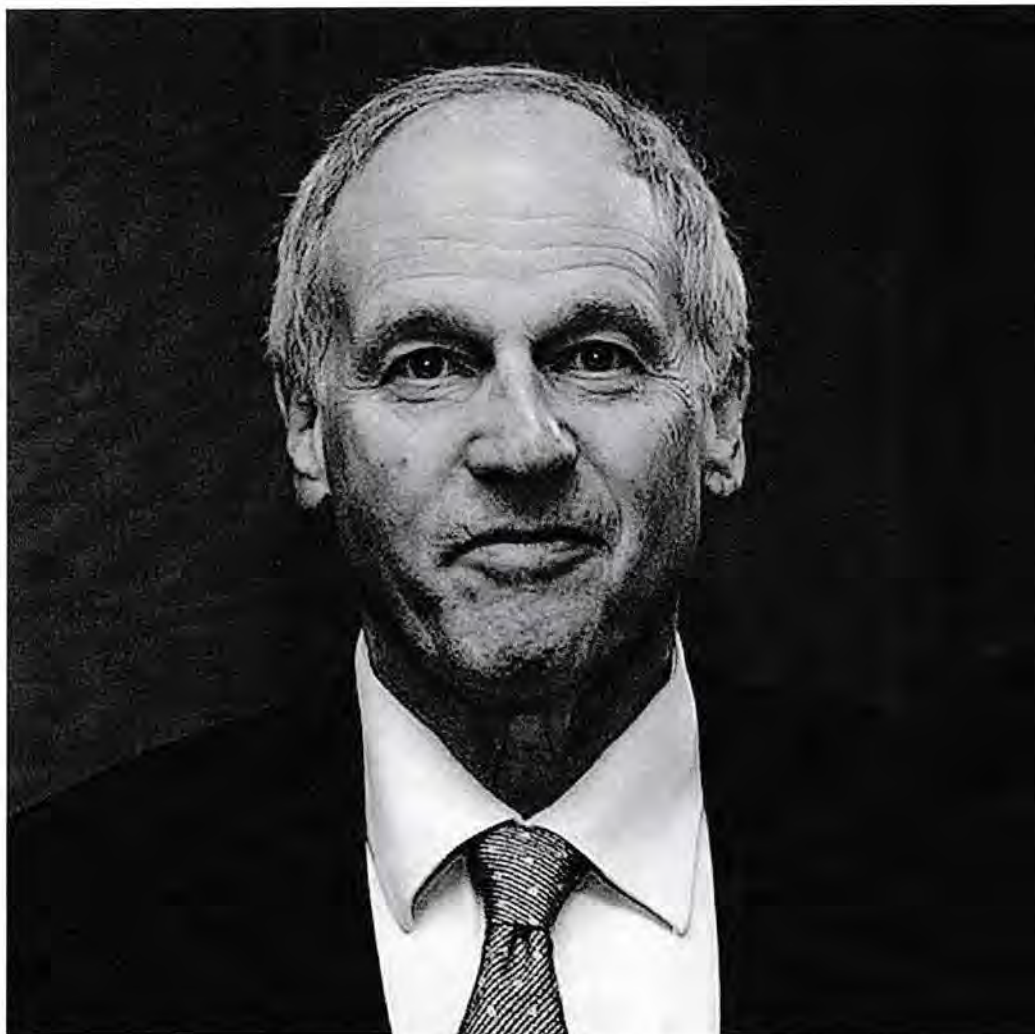
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When Richard Sackler took to the stage at the Purdue Pharma annual meeting in January 2000, he was in a buoyant mood. OxyContin, the company's opioid painkiller, was on track to make \$1bn in sales that year. "Together, we are creating something that is new, special and different," he said. "And we have already accomplished spectacular things."

Dr Sackler (or Dr Richard, as he is known inside Purdue) was not being hyperbolic. Few medicines end up proving so lucrative, and those that do tend to be developed by Big Pharma companies. OxyContin stands out because it was not masterminded by a team of globally renowned scientists and executives, but rather by Dr Richard and other members of the Sackler clan: his father, uncle, siblings and cousins. It was not only a blockbuster drug and great American success story. It was a family affair.

"You are part of a legend in the making," Dr Richard told his audience in 2000, according to highlights of the speech seen by the FT. On that, too, he would be proven right — but not in the way he imagined. The Sackler family had hoped to be remembered as one of the great philanthropic dynasties — a modern version of the Rockefellers — having donated a substantial chunk of their drugmaking fortune to the arts and sciences. Today, the word "Sackler" adorns scores of museums and galleries around the world. But the family name has also become tainted by its association with the US opioid crisis, amid accusations that OxyContin, more than any other drug, is responsible for sparking one of the worst public health epidemics of modern times. In 2016, opioid overdoses in the US claimed more than 42,000 lives.

Mark Chalos, an attorney at Lieff Cabraser who has worked on some of the many lawsuits against Purdue, does not mince his words when it comes to the Sacklers' culpability. The family has "made an obscene amount of money from manufacturing and marketing opioids", he says. Forbes estimates their net worth, almost all of it derived from their pharma interests, at \$13bn. "If anyone is morally responsible, they are the closest to being at ground zero," he says. The family declined to comment.



Richard Sackler, former chairman and president of Purdue Pharma © Terry Dagradi/Yale University

**As the crisis has** raged, the Sacklers have remained conspicuously quiet on their role, even after a widely read article in the New Yorker last year led to fresh scrutiny of the connection between their philanthropy and the OxyContin fortune. No one can deny the scale of their charity: the various members of the family have been so prodigious and prolific with their giving that it is hard to find an area of the arts or sciences untouched by a Sackler donation.

In the UK, the Sackler name appears on an array of cultural landmarks, including a gallery at the Serpentine, a courtyard at the V&A, an education centre at the Dulwich Picture Gallery, an escalator at Tate Modern and a library at the University of Oxford. In New York, where benefactors must pay considerably more for their name to appear in bright lights, the Metropolitan Museum has a Sackler Wing, while the Guggenheim and American Museum of Natural History have education centres bearing the family brand.



However, the family's attempt to shy away from their ownership of Purdue while attending society soirées and ribbon cuttings has led to accusations of hypocrisy and charges that they are "art-washing" their tarnished reputation. "They have this misguided belief they could insulate the family against the crisis because they are private individuals who keep quiet," says a former adviser who recently stopped working with the family. "Are they serious?" he asks. "I can't take my kid to a museum without seeing their name on the wall."



Prescription bottles thrown by protesters float in the reflecting pool at the Sackler Wing of the Metropolitan Museum of Art © The New York Times/Redux/Eyevine

Another former lieutenant who recently held a senior job at Purdue says the family suffers from a "cognitive dissonance" whereby they want to be recognised for public good while avoiding accountability for their business dealings. "They want to be patrons of Harvard, Columbia, Yale. They want the family name to be in the public eye," he says. "But then they complain when they're held to account. You know what? You don't like the scrutiny? Well don't go putting your name on a wing of the Louvre."

The Sacklers may struggle to walk this public-private tightrope for much longer. In June, the attorney-general in Massachusetts shifted the focus of the legal fight from Purdue the company to the family itself by filing a lawsuit naming eight Sacklers as defendants: Dr Richard, his mother Beverly, his son David, his brother Jonathan, his aunt Theresa, and his cousins, Kathe, Ilene and Mortimer David Alfons. The complaint alleges the family members, who all serve or served on Purdue's board of directors, "oversaw and engaged in a deadly, deceptive scheme to sell opioids".

Purdue and the family deny the allegations. The company points out that OxyContin was — and still is — approved by the US Food and Drug Administration and the risks are described on its FDA-approved label. "We believe it is inappropriate for [Massachusetts] to substitute its judgment for the judgment of the regulatory, scientific and medical experts at FDA," it said in a recent statement to the FT. As this article was published the company had not yet filed a motion

to dismiss the lawsuit, although it had until Friday September 7 to do so. The company stopped all marketing of OxyContin to doctors in February and fired a significant chunk of its sales staff.



Massachusetts attorney-general Maura Healey in Boston in June after the announcement of a lawsuit against Purdue Pharma © Getty

The highly addictive qualities of the opium poppy have been well-documented for centuries, but until recently its devastating effects had been limited to a minority living in the shadows of society. OxyContin changed the equation in two important ways. First, each pill contained an extremely high amount of the active opiate, oxycodone. Second, it was marketed aggressively and zealously by Purdue's sales reps, who were incentivised to dramatically expand the market for such medicines beyond the terminally ill patients for whom they were originally intended. Many legitimate patients became addicted to the drugs while others obtained them illicitly. People from both groups ended up progressing to heroin.

And so OxyContin helped unleash a public health crisis without parallel. The biggest cost, financially at least, is not burying the dead, but helping those addicts who stay alive — a task that is putting a huge strain on every public service, from hospitals and the police to drug rehab centres and child protection. Official estimates put the cost of the crisis at \$500bn a year, a massive burden that has left states and cities struggling to pay for the fallout. In an attempt to recoup their outlay, public officials have sued Purdue and the other companies they hold responsible, hoping to secure a multi-billion-dollar settlement from the industry comparable to the \$200bn extracted from Big Tobacco in 1998.





OxyContin © Reuters

Attorneys working on the legal fight against opioid companies say the recent shift of focus from Purdue to the Sacklers is not an attempt at grandstanding but springs from a realisation they will not be able to extract much cash from Purdue itself. An executive familiar with the private company's finances says they are under pressure due to mounting legal bills and declining sales of OxyContin, and that a large chunk of profits from prior years has been paid out in dividends to the Sackler family. "Most people at Purdue certainly don't feel like there's going to be a company in the future," says the executive "Time is not on our side."

One lawyer involved in the litigation against Purdue agrees: "What everyone is concerned about is that, given the company's legal liabilities, the company may not exist once this is said and done. The Sacklers have probably had time to take money out. The family is where the money is."

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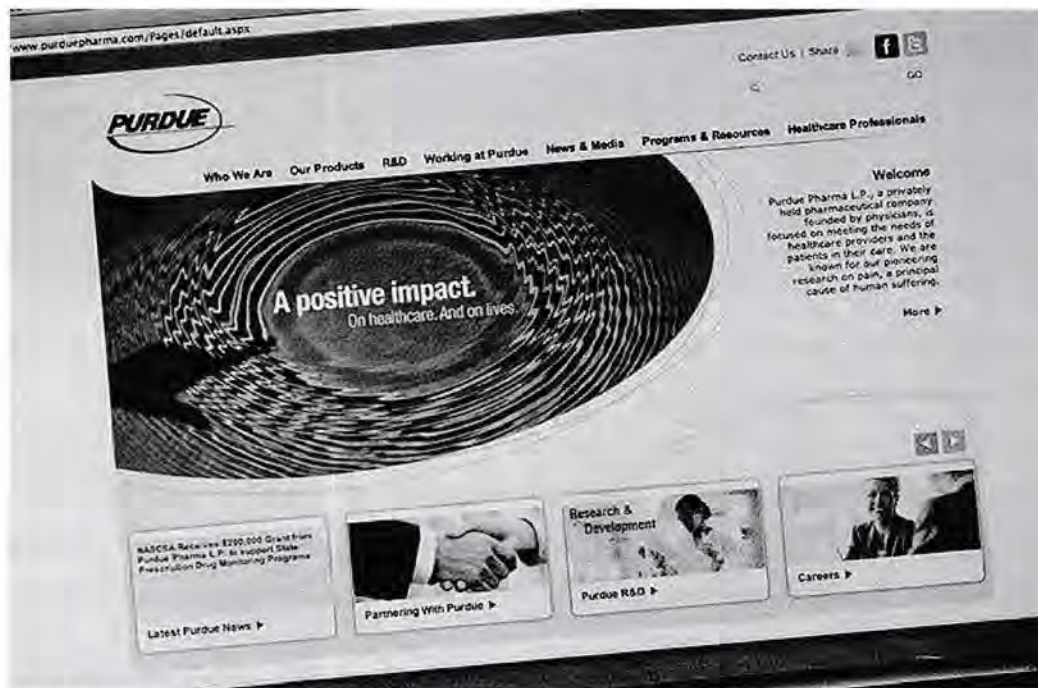
**Purdue Pharma traces its** roots to a company purchased in New York in 1952 by three Sackler brothers, all of them doctors. Arthur, the eldest, died in 1987, before the invention of OxyContin, and his estate's share in Purdue was sold to his younger brothers; his branch of the family has distanced themselves from the furore surrounding the drug. The younger siblings, Raymond and Mortimer, bequeathed the company to the family's third generation when they died in 2017 and 2010, respectively.

The original Sackler brothers will not be remembered as great discovery scientists: the drugs that Purdue has made billions from, such as oxycodone and morphine, were unearthed decades if not centuries ago. Instead, their chief contribution to the world of pharmaceuticals was their ability to tinker with the formula of medicines to make them more convenient. In the early 1970s, scientists at the Sacklers' British company, Napp Pharmaceuticals, developed a new type



of pill, known as the Contin delivery system, which could continuously release a drug into the body over a period of 12 hours. Purdue used this system to make a novel tablet version of morphine called MS Contin.

For terminally ill cancer patients suffering from intolerable pain, the invention was a game-changer. The effect of traditional painkiller pills is shortlived and so people must take a new tablet every few hours, a reality that denies a full night's sleep to those in constant agony. But after the introduction of MS Contin in 1987, patients were able to sleep through.



In the following years, MS Contin was a modest commercial success, but the company did not unearth new drugs to prepare for the impending loss of the medicine's patents. Eventually, Purdue reformulated another opioid, oxycodone, using its Contin delivery system to create OxyContin, which was launched in 1995.

Initially, the drug was intended to serve the same group of patients: terminally ill cancer sufferers in constant pain. An early marketing plan from 1996, seen by the FT, shows that Purdue hoped to convert cancer patients and oncologists from MS Contin to the newer OxyContin — a common tactic for pharma companies facing a patent cliff. Sales in the first year were expected to be \$25m, eventually rising to around \$100m a year. Had OxyContin only been prescribed to terminal cancer sufferers, addiction would not have been much of a problem. Doctors have long known that some terminally ill patients develop addiction to opiates in their final weeks, but the theory is that it does not much matter if they are going to die.

However, between 1996 and 2002, Purdue dramatically changed its commercial strategy, and started promoting OxyContin as a catch-all painkiller for a range of common ailments. In his 2000 speech, Dr Richard made it clear that a significant expansion of the market for opioids was key to the company's success (and with it the riches that flowed to him and his family).

"Something new happened in 1995, when OxyContin tablets were introduced," he told the

audience. “OxyContin tablets broadened the range of patients that could be successfully treated for moderate to severe pain — whatever its genesis.”

Dr Richard reeled off a list of conditions that could be treated with OxyContin, including arthritis, back pain, shingles, poor blood circulation and pain after surgery. Internal documents show the company altered its strategy to make sure that opioids were more widely used. In 1996, most of Purdue’s marketing efforts were targeted at 27,000 oncology nurses working in hospitals, hospices and patients’ homes. But by 2002, sales reps were targeting 160,000 doctors from almost every branch of medicine, including general practitioners, osteopaths, neurologists and gynaecologists.

“We have a lot of work ahead of us . . . OxyContin tablets have by no means run their course,” Dr Richard told his audience, before concluding his speech by urging the company’s sales reps to “continually rededicate” themselves to increasing sales of the drug. His call did not fall on deaf ears: by 2010, annual revenues from the medicine had soared to \$3bn per year.

As OxyContin flooded America — with more than 51m prescriptions written between 2006 and 2015 — legitimate patients became addicted to the painkiller. Meanwhile, recreational drug users discovered they could get an intense high by crushing the drug and snorting it or boiling it into a liquid and injecting it, allowing them to get all 12 hours’ worth of the medicine in a single hit.



The headquarters of Purdue Pharma in Stamford, Connecticut © The New York Times/Redux/Eyevine

Purdue has always claimed it was not aware of abuse of OxyContin until 2000, but the company received reports its opioids were being abused as early as 1996, shortly after the medicine was launched, according to a Department of Justice report. Indeed, the company was not only aware of the risk of addiction, it also tried to downplay the dangers to protect sales.

In 1999, for instance, Purdue used its internal magazine to heap praise on a sales representative in Hawaii who had convinced a sceptical pharmacist to start dispensing OxyContin. Initially, the

pharmacist had “refused to fill most [opioid] prescriptions” for chronic pain complaints like bad backs and arthritis, because he was “concerned that drug addiction on the island was getting out of hand”. Eventually, the sales rep managed to persuade the chemist to change his mind. “[She] was able to successfully uncover the addiction/diversion barrier as a major issue with this pharmacist,” reported the magazine, a copy of which has been seen by the FT.

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**Purdue has been punished** once before for the way it has marketed OxyContin. In 2007, the company pleaded guilty to criminal charges that it misled doctors and patients about the risk of addiction, and paid a \$600m fine. Its top three executives, who pleaded guilty to misbranding, avoided jail time but were effectively forced to retire from corporate life.

The deal between US prosecutors and Purdue, which is widely seen as overly lenient towards the company, was brokered by Rudy Giuliani, now a top aide to Donald Trump and a former New York mayor, who was hired as an adviser to the pharma group in 2002. “I am very impressed with all the people I’ve met at Purdue, and with the company’s commitment to support pain management while fighting prescription drug abuse,” said Giuliani in an internal memo circulated after his appointment, which has been seen by the FT. “Few organisations would have stepped up to the plate so readily to address a public health problem that was not of their making.”

Dr Richard avoided personal repercussions when the company pleaded guilty in 2007. He had resigned as president of Purdue in 2003, when the federal investigation of the company was still in progress, and all the other Sacklers have also stepped back from executive officer roles. However, Dr Richard and other members of the family still wield considerable power through their role as non-executive directors. Whether they will pay personally this time round depends on the degree to which officials and their lawyers can prove they continued to pull the strings after they ostensibly stepped back from day-to-day management of the company.





Police with a sculpture of a spoon that was placed outside the headquarters of Purdue Pharma © The New York Times/Redux/Eyevine

“Typically, it has been very difficult to collect real dollars from individuals,” says Jason Halper, co-chair of the global litigation group at Cadwalader, citing the fact that no top banking executives were fined or jailed for the 2008 financial crisis. Halper says even though seven Sacklers are still on the board of Purdue, directors often have a “level of remove” when it comes to legal liability.

However, several former and current staff say that far from being hands-off owners and directors, the third-generation Sacklers still call the shots, especially Dr Richard, Jonathan and Kathe. They are often to be found in their offices on the ninth floor of the company’s headquarters in Stamford, Connecticut, which is kitted out in wood panelling and plush burgundy carpets in a style that one employee describes as “*Mad Men*”.

Several former and current employees cite the same episode as proof that the Sacklers are still running things. Last year, the family parted ways with the company’s chief executive, Mark Timney, after he tried to move away from opioids and push into other illnesses. Timney had been poached in 2014 from Merck & Co, the Big Pharma company, in an attempt to professionalise the family company, but he failed to convince the Sacklers to spend some of Purdue’s cash on new non-opioid products. “He wanted to pivot the company, to get out of the pain industry, to stop selling opioids — but it was voted down by the Sacklers,” says the former senior manager. Another person says the Sacklers soured on the strategy because it would have eaten into their dividends: “There was a resistance to anything that might jeopardise disbursements to the family.”

**If anyone is morally responsible, [the Sacklers]**

The Sacklers also wield influence at the company via their longstanding attorney, Stuart Baker, who has worked for the family for more than two decades. Baker is an executive vice-president at Purdue, an adviser to the board of directors and the architect of

## are the closest to being at ground zero

Mark Chalos

the Sacklers' legal strategy. He is also a partner at Norton Rose Fulbright, the law firm. "Stuart sees his job as protecting the family," says the executive. Another person who has attended board meetings says it sometimes appears as though Baker is the one in charge.

Baker is even listed as the owner of the family's sprawling, 10-acre waterfront estate in Greenwich, Connecticut, where Beverly Sackler, the family matriarch, still lives. Her neighbours in the exclusive gated community include her son Jonathan and his partner.

Regardless of whether the Sacklers end up being held legally responsible for their role in the opioid crisis, they will surely not escape judgment in the court of public opinion. One person who has advised the family predicts they will hand over some of their fortune to settle the litigation if it means they can avoid being deposed or forced to testify. "The only thing they care more about than their money is their privacy," the person says.

## You know what? You don't like the scrutiny? Well don't go putting your name on a wing of the Louvre

Another person who worked closely with Dr Richard says: "He's a fan of the product. There is no remorse or anything — the opioid crisis is barely acknowledged inside Purdue." The Sacklers disagree with this sentiment vehemently, according to people close to the family. There is a difference, they say, between acknowledging the ravages of the opioid crisis and admitting that the family or their

company is primarily to blame. Purdue says it has taken significant steps to counter the epidemic, pointing to its efforts to reformulate OxyContin to make it less prone to abuse, its funding of police programmes to counter addiction, and its recent \$3.42m grant to boost availability of naloxone, an antidote given to people who have just overdosed.

Yet many others who work or have worked with the Sacklers say it would be wrong to interpret any such actions as an admission of moral or legal culpability. "They really don't believe they've done anything wrong," says one, noting the family's steadfast refusal to apologise. "They still think this is a witch hunt."

*David Crow is the FT's senior US business correspondent*

*Main image: FT montage*

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