

McKinsey Settles for Nearly \$600 Million Over Role in Opioid Crisis

The consulting firm has reached agreements with 49 states because of its sales advice to drugmakers, including Purdue Pharma, the manufacturer of OxyContin.

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McKinsey & Company, the consultant to blue-chip corporations and governments around the world, has agreed to pay nearly \$600 million to settle investigations into its role in helping “[turbocharge](#)” [opioid](#) sales, a rare instance of it being held publicly accountable for its work with clients.

The firm has reached a \$573 million agreement with attorneys general in 47 states, the District of Columbia and five territories, according to a court filing in Massachusetts on Thursday. Separate deals were announced in Washington State, for \$13 million, and in West Virginia, for \$10 million. Nevada, not party to the agreements, will continue to pursue its [opioid](#) investigation, according to the attorney general’s office.

The settlements come after lawsuits unearthed a trove of documents showing how [McKinsey](#) worked to drive sales of Purdue Pharma’s OxyContin painkiller amid an opioid crisis in the United States that has contributed to the deaths of more than 450,000 people over the past two decades.

[McKinsey’s](#) extensive work with Purdue included advising it to focus on selling lucrative high-dose pills, the records show, even after the drugmaker pleaded guilty in 2007 to

federal criminal charges that it had misled doctors and regulators about OxyContin's risks. The firm also told Purdue that it could "band together" with other opioid makers to head off "strict treatment" by the Food and Drug Administration.

Maura Healey, the Massachusetts attorney general, said the investigation of the firm involved reviewing "thousands and thousands of documents and emails" that, taken together, told "the story of McKinsey's wrongdoing."

"Its always been about holding accountable those who created and profited off the opioid epidemic," she said. Ms. Healey was the first state attorney general to investigate McKinsey's business dealings with Purdue.

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The consulting firm will not admit wrongdoing, according to the multistate settlement, but will agree to court-ordered restrictions on its work with some types of addictive narcotics. McKinsey will also retain emails for five years and disclose potential conflicts of interest when bidding for state contracts. And in a move similar to the tobacco industry settlements decades ago, it will put tens of thousands of pages of documents related to its opioid work onto a publicly available database.

States will use the civil penalties — \$478 million of which must be paid within 60 days — for opioid treatment, prevention and recovery programs, the settlement document says. It will be the first money states will see after Purdue Pharma in October agreed to pay \$8.3 billion and [plead guilty](#) to federal criminal charges over its marketing of OxyContin. Purdue declared bankruptcy, meaning the states party to that agreement will have to line up with other creditors.

Image



The headquarters of Purdue Pharma in Stamford, Conn. Credit...George Etheredge for The New York Times



In addition, members of the Sackler family, who own Purdue, agreed last fall to pay the federal government [\\$225 million in civil penalties](#), and are in talks with other litigants to pay \$3 billion.

Massachusetts and many other states were dissatisfied with the October deal, which the Trump administration's Justice Department reached only days before the former president was defeated in November's election.

The Opioid Crisis

From powerful pharmaceuticals to illegally made synthetics, opioids are fueling a deadly drug crisis in America.

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- **A Settlement:** Purdue Pharma reached a deal with a group of states that long resisted the structure of the original bankruptcy plan. [Here is what the agreement means.](#)
- **Detailing Tragedies:** As part of the settlement, families who lost loved ones to opioid addiction were allowed to [address the owners of Purdue Pharma in court.](#)
- **How Opioids Work:** Through interviews with users and experts, we created a [visual representation of how these drugs hijack the brain.](#)
- **A Pandemic Spike:** As Covid raged, [so did the opioid epidemic](#), causing overdose deaths in the U.S. to [surge to a record high.](#)

The amount McKinsey is paying is substantially more than it earned from opioid-related work with Purdue or Johnson & Johnson, Endo International and Mallinckrodt Pharmaceuticals, its other opioid-maker clients, a person involved in the settlement negotiations said.

McKinsey may face still more claims in coming months. In some states, the agreements do not bar local governments from suing, and Mingo County in West Virginia, one of the hardest-hit states in the country, filed suit against McKinsey last week. The Biden administration could also take action against the firm.

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In a statement on Thursday, McKinsey said it believed “its past work was lawful and has denied allegations to the contrary.”

But Kevin Sneader, the firm’s global managing partner, said: “We deeply regret that we did not adequately acknowledge the tragic consequences of the epidemic unfolding in our communities. With this agreement, we hope to be part of the solution to the opioid crisis in the U.S.”

Image



Christine Gagnon attended a 2018 protest in Southington, Conn., for those who lost family members and friends to opioid overdoses. Credit...Jessica Hill/Associated Press



One former partner called the settlements hugely significant because it shatters the distance that McKinsey — which argues that it only makes recommendations — puts between its advice and its clients' actions. For decades, the firm has avoided legal liability for high-profile failures of some clients, including the energy company Enron and Swissair, Switzerland's defunct national airline. The former partner asked for anonymity because former McKinsey employees are bound by confidentiality agreements.

Making McKinsey and its competitors even more vulnerable is the fact that in recent years they have aggressively moved into a new line of work, not only offering management advice but also helping companies implement their suggestions.

That is what happened with McKinsey at Purdue, said Phil Weiser, the attorney general for Colorado. Two McKinsey senior partners led the firm's effort to implement plans to drive sales, working with members of the Sackler family and even overruling Purdue executives, Mr. Weiser said.

"When you see the actions of these McKinsey partners, they were almost acting as executives of the firm," Mr. Weiser said.

The McKinsey materials released in litigation over the last two years go back as far as 2004 and are as recent as 2019.

The records highlight McKinsey's close relationship with Purdue over many years. In 2009, the firm wrote a report for Purdue saying that new sales tactics would increase sales of OxyContin by as much as \$400 million annually, and suggested "sales 'drivers' based on the idea that opioids reduce stress and make patients more optimistic and less isolated," according to a lawsuit filed in 2018 by Massachusetts. McKinsey worked with Purdue executives in finding ways "to counter the emotional messages from mothers with teenagers that overdosed" on the drug.

In 2013, the federal government reached a settlement with Walgreens, the pharmacy chain, to crack down on illegal opioid prescriptions. Sales to Walgreens began to fall. According to the Massachusetts lawsuit, McKinsey recommended that Purdue "lobby Walgreens' leaders to loosen up."

And in a 2017 slide presentation for Purdue, McKinsey laid out several options to shore up sales. One was to give distributors a [rebate](#) for every OxyContin overdose attributable to pills they sold. The slides are notable for their granular detail. For example, McKinsey estimated that 2,484 CVS customers would overdose or develop an opioid use disorder in 2019 from taking OxyContin. CVS said the plan was never implemented.

By 2018, senior executives at McKinsey were becoming aware that they might face liability for their opioid work. After Massachusetts sued Purdue, Martin Elling, a leader in the firm's pharmaceutical practice, wrote to another partner, Arnab Ghatak: "It probably makes sense to have a quick conversation with the risk committee to see if we should be doing anything" other than "eliminating all our documents and emails. Suspect not but as things get tougher there someone might turn to us."

Both men were put on administrative leave pending the results of an outside investigation into whether any material was destroyed, McKinsey's North America managing partner, Liz Hilton Segel, said in a letter to Congress in December.

On Thursday, a spokesman for McKinsey said the two men had been fired.

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Oct. 21, 2020

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