

Pharma Billionaire Arrested for Racketeering Charges

By Tarun Makhni, LL.M. Candidate 2018 | November 7, 2017

Arizona-based billionaire John Kapoor, 74, owner of Insys Therapeutics, Inc., was [arrested](#) by federal agents on October 26, 2017, on charges stemming from an alleged scheme to get doctors to needlessly prescribe his company's opioid painkiller. He has been charged with RICO conspiracy, as well as other felonies, including conspiracy to commit mail and wire fraud and conspiracy to violate the Anti-Kickback Law.

Kapoor was charged with using bribes to increase sales of Subsys, a fentanyl spray, which is used primarily on cancer patients who are suffering excruciating pain. Just a year ago, former Insys CEO, Michael Babich, and other executives were arrested based on an alleged "nationwide conspiracy." The arrest also comes amid a nationwide opioid epidemic. [President Trump](#) was expected to declare the ongoing opioid crisis as a public health emergency on the same day as the arrest. "These Insys executives allegedly fueled the opioid epidemic by paying doctors to needlessly prescribe an extremely dangerous and addictive form of fentanyl," Phillip Coyne, a special agent in the Office of Inspector General of the U.S. Department of Health and Human Services, stated in a press release.

The press release from the Department of Justice, also alleges that Kapoor and six other executives conspired to defraud health insurance providers who were unwilling to approve payments when the drug was used for non-cancer patients. Acting U.S. Attorney William Weinreb also shared in a [statement](#) that, "in the midst of a nationwide opioid epidemic that has reached crisis proportions, Mr. Kapoor and his company stand accused of bribing doctors to overprescribe a potent opioid and committing fraud on insurance companies solely for profit."

Fentanyl takes effect faster and more intensely in users. The drug is known to produce effects that are very similar to morphine; however, it is said to be 80 times more potent than morphine. It is meant to be for cancer patients who are going through insufferable pain but the company intended it to be used by many more people than just cancer patients. In response to the opioid crisis, states, cities and counties have [sued](#) companies including Purdue, Endo International Plc, and Johnson & Johnson's Janssen Pharmaceuticals alleging that these companies triggered the opioid epidemic by minimizing the addiction and overdose risks of painkillers such as Percocet.

On the day of his arrest, a federal judge set bail for Kapoor at \$1 million. Kapoor was also ordered to wear an electronic monitor bracelet and to surrender his passport. Insys' [stock](#) is down by over 31% since the news of Kapoor's arrest. The valuation of the company is down to about \$350 million, compared to a valuation of over \$19 billion in 2015. Kapoor resigned from the board of Insys following his arrest. He has not made any comments or statements since then. However, his defense attorney has stated that "he is not guilty of these charges [and] he intends to fight it vigorously." It remains to be seen what will happen to Kapoor during this ongoing opioid crisis that has plagued the nation.