

REPRISK CASE STUDY

Prescription opioid crisis: Johnson & Johnson, Purdue Pharma, and Teva Pharmaceuticals

How the opioid crisis unfolded

The opioid epidemic is a national crisis affecting public health in the US and Canada. It stems from the misuse of opioid painkillers, including prescription drugs such as oxycodone, fentanyl, and morphine, which can cause feelings of euphoria, but are chemically similar to heroin and considered to be highly addictive.

The US Center for Disease Control and Prevention alleges that 400,000 deaths in the US resulted from opioid overdoses between 1990 and 2017, and estimates that opioid misuse costs the United States USD 78.5 billion a year. According to the US National Institute on Drug Abuse (NIDA), more than 130 people die every day in the US as a result of the accidental misuse of opioids, equivalent to one person every 11 minutes. NIDA further reports that nearly 80 percent of heroin addicts reported using prescription opioids before they started using heroin.

Numerous US cities and states have brought litigation accusing companies such as Endo Health Solutions, Insys Therapeutics, Janssen Pharmaceuticals (Janssen Pharma), a subsidiary of Johnson & Johnson, Purdue Pharma, and Teva Pharmaceutical Industries (Teva) of deceiving doctors and the public for more than 20 years about the safety and benefits of opioids while downplaying the associated risks.

Case study timeline

- 2016** **December**
RepRisk identifies Teva Pharmaceuticals as very high risk (Peak RRI 60.)
- 2017** **March**
US Senator investigates Insys, Johnson & Johnson, Purdue Pharma, and other pharmaceutical companies for deceptive marketing of prescription opioids.
- May**
State of Ohio sues Endo Health Solutions, Johnson & Johnson, Purdue Pharma, Teva Pharmaceuticals, and other companies, alleging that these companies downplayed risks associated with prescription opioids.
- June**
State of Missouri sues Endo Pharma, Janssen Pharma, and Purdue Pharma, alleging that these companies used fake research and fraudulent advertising to obscure risks of prescription opioid drugs.
- RepRisk categorizes Purdue Pharma as high risk (Peak RRI 62 in March 2019.)**
- September**
City of Tacoma, WA, sues Endo Pharma, Janssen Pharma, and Purdue Pharma, alleging that these companies falsely claimed that prescription opioids had a low addiction risk.
- State of New Mexico sues Johnson & Johnson, Purdue Pharma, Teva Pharmaceuticals, and others, alleging that these companies downplayed risks of prescription opioids.
- October**
State of New Jersey and State of Alaska sue Purdue Pharma, alleging that Purdue Pharma used deceptive marketing practices regarding the addictive effects of prescription opioids.

RepRisk has published a series of Case Studies that demonstrate the materiality of environmental, social, and governance (ESG) issues – and how RepRisk can serve as an early warning system before these issues translate into reputational, compliance, and financial risks. For more Cases, please visit www.reprisk.com/news-research or contact us at media@reprisk.com.

Plaintiffs to the lawsuits alleged that the companies also allowed excessive amounts of the drugs to be distributed, selling far more opioid painkillers to communities than their residents could safely consume. For example, a December 2018 US congressional report reported that McKesson Corp, a pharmaceutical distributor that has also been the target of lawsuits, over a span of just ten months shipped over 3 million prescription opioids, i.e. almost 10,000 hydrocodone pills daily, to a single pharmacy in Kermit, West Virginia, a town with only 400 residents¹.

US pharmaceutical companies reportedly earned billions in revenue from marketing and distributing opioid prescription drugs. According to the Washington Post, some of the US's largest drug companies distributed 76 billion oxycodone and hydrocodone pain pills between 2006 and 2012. In 2017, a report by the White House Council of Economic Advisers estimated that Purdue Pharma had earned more than USD 35 billion from the sale of OxyContin alone.

As different US municipalities, counties, and states began filing lawsuits against opioid manufacturers and distributors, several pharmaceutical companies suffered significant share price drops. In October 2019, the share price of Teva Pharmaceuticals fell to USD 7 from a previous high of USD 72. Two companies facing significant litigation, Purdue Pharma and Insys Therapeutics, filed for Chapter 11 bankruptcy and restructuring in 2019.

The allegations of many of the lawsuits return to a common theme: companies allegedly not abiding by ostensibly virtuous policies and messaging that they developed and reported. They are accused of fueling the opioid crisis by aggressive marketing campaigns that led consumers to believe that the drugs were harmless, even though the companies reportedly knew the opioids were highly addictive and that overdosing could be fatal.

¹ Full article available [here](#). (last accessed March 3, 2020).

Case study timeline

2017 **December**
State of Pennsylvania and State of Montana, as well as Smith County, Tennessee, six Illinois counties, and various Native American tribes sue pharmaceutical companies claiming damages resulting from widespread prescription opioid abuse.

2018 **February**
US senator releases report claiming that Depomed, Insys, Janssen Pharma, Mylan, and Purdue Pharma paid almost USD 9 million to 14 outside professional societies and patient advocacy organizations between 2012 and 2017. The report alleges that such payments suggest a "direct link between corporate donations and the advancement of opioids-friendly messaging."

April
Canadian Member of Parliament calls for criminal probe against opioid manufacturers on suspicion that the companies caused an overdose crisis in Canada and the US.

August
US President calls on US Attorney General to file federal lawsuit against prescription opioid manufacturers and distributors in connection with the US opioid epidemic.

December
Five more US counties sue Johnson & Johnson, Purdue Pharma, Teva Pharmaceuticals, and other pharmaceutical companies, alleging that these companies' practices fueled the opioid crisis.

RepRisk categorizes Johnson & Johnson as high risk (Peak RRI 66.)

2019 **January**
By January 2019, Purdue Pharma faces lawsuits from 36 states, more than 1,500 cities and counties, and several Native American tribes in the US.

March
Purdue Pharma and Teva Pharmaceuticals agree to pay USD 85 million and USD 270 million respectively to settle lawsuits by the State of Oklahoma related to prescription opioids.

June
Insys files for Chapter 11 bankruptcy protection.

August
Teva Pharmaceutical's share price falls to USD 6.41 from a high of USD 72.

Were there prior indicators of risks?

RepRisk's unique research approach and methodology picked up early warning signals on the high environmental, social, and governance (ESG) risks associated with prescription opioid misuse, before news about the opioid crisis hit the mainstream media in 2017. Johnson & Johnson, Purdue Pharma, and Teva Pharmaceuticals all had high risk scores (Peak RRI scores above the high-risk threshold of 50). Their high scores resulted from a series of risk incidents that raised serious concerns about their business conduct, even though each company had laudable mission statements.

Conclusion

Our aim is to illustrate the viability of identifying early warning signs of reputational risk exposure. The analysis of a company's ESG risk exposure over a period of time allows stakeholders to receive early warning of risk incidents and enables them to take steps to mitigate their exposure to such risks.

Case study timeline

2019

September

US District Judges rules that pharmaceutical companies including Cardinal Health, Janssen Pharma, Johnson & Johnson, Teva Pharmaceuticals, and Walgreens Boots Alliance will face a jury on claims by more than 2,000 US municipalities and counties, which allege that these companies engaged in conspiracy to unlawfully distribute prescription opioids.

September

Johnson & Johnson's share price falls to USD 126.95.

September

Reuters reports that Purdue Pharma has filed for bankruptcy protection to settle over 2,600 lawsuits linked to the US opioid crisis.

November

US federal prosecutors launch criminal probe against AmerisourceBergen, Amneal Pharmaceuticals, Johnson & Johnson, Mallinckrodt, McKesson, and Teva Pharmaceuticals on drug trafficking charges in connection with the opioid crisis.

November

Oklahoma judge orders Johnson & Johnson to pay USD 465 million to the State of Oklahoma in connection with the opioid crisis.

2020

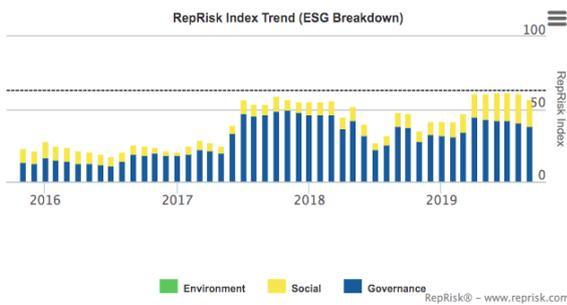
January

Purdue Pharma secures tentative USD 12 billion settlement with 23 US states, local governments, and Native American Tribes to resolve opioid litigation.

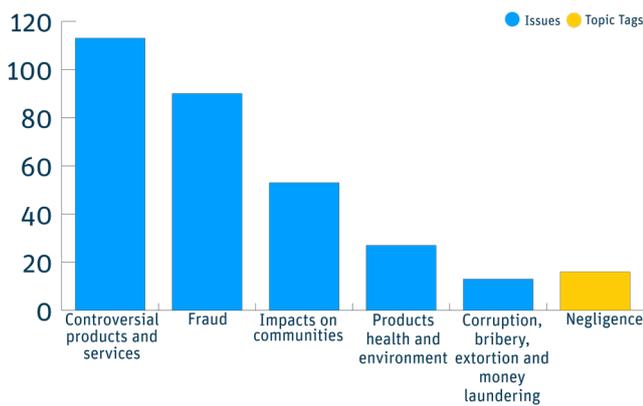
Disconnect between stated policies and risk management performance

Purdue Pharma

RepRisk had already categorized Purdue Pharma as high risk (RRI 57) in June 2017, almost two years before it reached its Peak RRI score of 62 in March 2019. It filed for bankruptcy on September 15, 2019.



Between January 2019 and January 2020, Purdue Pharma was linked 210 times to RepRisk ESG Issues¹, including:



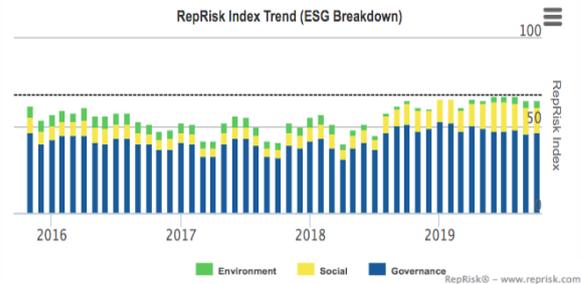
Purdue Pharma Purpose Statement

- Compassion for patients and excellence in science inspire our pursuit of new medicines.

¹ RepRisk's research scope of 28 ESG Issues was selected and defined in accordance with the key international standards related to ESG issues and business conduct, such as the World Bank Group Environmental, Health, and Safety Guidelines, the UN Global Compact, the IFC Performance Standards, the Equator Principles, the OECD Guidelines for Multinational Enterprises, the ILO Conventions, and more.

Johnson & Johnson

RepRisk had categorized Johnson & Johnson as high risk in December 2018, based on the company's Peak RRI score of 66 (which denotes "very high risk"). The Peak RRI score remained above 65 until September 2019. During this period, the company's share price fell by around 12 percent.



Between January 2019 and January 2020, Johnson & Johnson was linked 258 times to RepRisk ESG Issues, including:

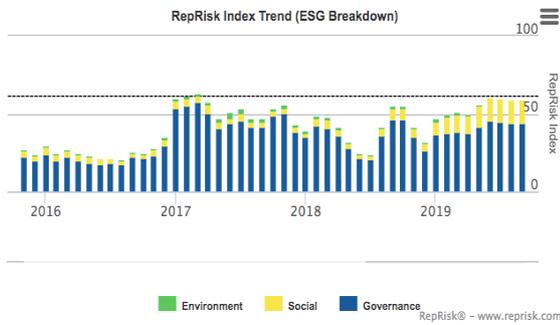


Johnson & Johnson 'Credo' Statement

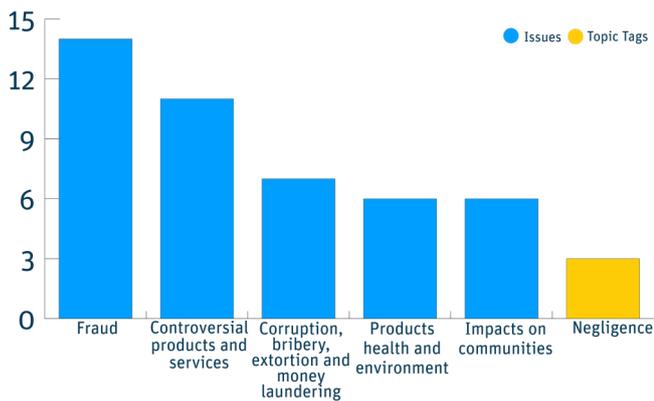
- We believe our first responsibility is to the patients, doctors and nurses, to mothers and fathers and all others who use our products and services. In meeting their needs everything we do must be of high quality.
- We are responsible to the communities in which we live and work and to the world community as well. We must help people be healthier by supporting better access and care in more places around the world.

Teva Pharmaceuticals

RepRisk had categorized Teva Pharmaceuticals as high risk (RRI 52) in July 2015, when Teva's share price was close to its peak, trading around USD 79. In December 2016, RepRisk classified the company as very high risk (RRI of 60). By October 2019, Teva's share price had fallen to around USD 7.



Between January 2019 and January 2020, Teva Pharmaceuticals was linked 155 times to RepRisk ESG Issues, including:



Teva Pharmaceuticals Code of Conduct

- Our mission is to be a global leader in generics and biopharmaceuticals, improving the lives of patients.
- We strive to deliver quality medicines to patients around the world with integrity and ethical business practices.

Methodology

RepRisk Case Studies are compiled using risk incidents and reports from the RepRisk ESG Risk Platform, the world's largest due diligence database on environmental, social, and governance (ESG) and business conduct risks. The RepRisk Platform, launched in January 2007, is used by 350+ banks, insurances, investment managers, and other organizations to conduct in-depth risk research on public and private companies as well as projects of all sizes, from all sectors and countries, including emerging and frontier markets. RepRisk leverages advanced machine learning together with human intelligence to systematically identify and assess material ESG risks associated with companies, projects, sectors, and countries. For this risk analysis, RepRisk takes an outside-in approach by exclusively analyzing information from public sources, documents, and stakeholders, and intentionally excluding company self-reporting and disclosures. This approach allows RepRisk to provide a unique perspective on a company's risk exposure, helping to assess whether that company's policies and processes are translating into on-the-ground performance. On a daily basis, RepRisk's artificial intelligence system screens over 90,000 media, stakeholder, and third-party sources and documents, including print and online media, NGOs, government bodies, regulators, think tanks, newsletters, social media, and other online sources at the international, national, and local level. The results of this daily screening are transferred to RepRisk's team of 85+ analysts who curate and analyze the ESG risk incidents according to RepRisk's rules-based methodology. RepRisk's daily screening is driven by RepRisk's research scope, rather than a pre-defined, finite list of companies. The scope is comprised of 28 ESG Issues, which were selected and defined in accordance with the key international standards (such as human rights abuses and corruption), and of 58 Topic Tags, ESG "hot topics" that are specific and thematic (such as palm oil, migrant labor, or arctic drilling). Any company or project linked to any of these ESG Issues or Topic Tags will be captured through RepRisk's research process.

The RepRisk Index (RRI)

The RRI is a proprietary risk metric that quantifies a company's reputational risk related to ESG issues. The RRI facilitates an initial assessment of the ESG risks associated with investments or business relationships, allows the comparison of a company's exposure with that of its peers, and helps track risk trends over time. It reflects a company's actual risk management performance as opposed to its communicated goals and policies. The RRI ranges from zero (lowest) to 100 (highest). The higher the value, the higher the risk exposure. A value between 75 and 100 denotes extremely high risk exposure. Notably, the RRI emphasizes companies that are newly exposed or have had less exposure in the past, i.e. companies with significant past exposure are less sensitive to new exposure.

There are three RRI values:

The **Peak RRI** (highest RRI in the last two years) refers to the highest RRI in the last two years and is **the key metric for risk assessments as it captures the overall ESG risk exposure of a company.**

The **Current RRI** refers to the current level of media and stakeholder coverage of a company related to ESG risks. This value should be used to evaluate the **current media and stakeholder attention that a company receives** but not as a proxy for overall ESG risk exposure, since the attention of the media can be short-lived, and it takes time to address risks.

The **RRI Change or Trend** shows the increase or decrease of the RRI within the past 30 days.

Find out more about RepRisk's suite of risk metrics and how they can support your business [here](#) or email us at contact@reprisk.com.