Opioid Maker's Bankruptcy Plan Would Cut Payments to Victims by $1 Billion

Mallinckrodt Pharmaceuticals had promised $1.7 billion to governments, individuals and others harmed by the opioid crisis.

By **Rebecca Robbins**

Aug. 23, 2023

A major opioid manufacturer that had promised to pay $1.7 billion as compensation over its role in the opioid crisis disclosed on Wednesday that it had reached an agreement with its creditors to reduce the settlement payments by $1 billion.

The manufacturer, Mallinckrodt Pharmaceuticals, had originally agreed to pay the $1.7 billion over eight years to state and local governments, individuals and others that had sued the company for helping fuel the opioid crisis. The funds had been earmarked for addiction victims to rebuild their lives and for governments to pay for priorities like drugs to reverse opioid overdoses.

In a regulatory filing on Wednesday, Mallinckrodt disclosed that it had reached a plan to file for bankruptcy for the second time in three years. The plan would cancel a majority of the $1.25 billion that the company still owes under the original settlement agreement, in exchange for a final payment of $250 million that would be made before the company enters its second bankruptcy.

The plan to cancel a majority of the outstanding payments was devised with backing from hedge funds that would control the company under a second bankruptcy. The funds had lent money to Mallinckrodt and were in a position to force the company to prioritize paying back its lenders over compensating victims.

The revised plan still requires bankruptcy court approval. The company's chief executive, Siggi Olafsson, said in a news release that the company "remained committed to ensuring that we achieved a meaningful resolution" for the trust set up to disburse settlement payments to victims. Mallinckrodt did not immediately return a request for additional comment.

The original settlement plan, finalized last year as Mallinckrodt exited its first bankruptcy, protected the company and its former executives from future liability related to its opioid sales.

Mallinckrodt last year made its first and only payment, of $450 million, under the original settlement agreement. The company is late on a second payment, which was due in June.

The revised plan was agreed to by a master trust that oversees the distribution of payments to subordinate trusts tasked with disbursing money to victims. Governments have begun receiving the initial funds. The money earmarked for individuals has not yet been disbursed but is expected to go out soon.

Joseph Steinfeld, a lawyer representing about half of the approximately 40,000 individuals who had been promised payments as part of the settlement, said that the revised plan would reduce the amount going to that group by about $100 million.

"What was promised was a significant amount to many of the victims that were counting on it," Mr. Steinfeld said. "They're losing about 70 percent of what they were promised."

Mallinckrodt is among a number of manufacturers, pharmacy chains and distributors that have agreed to large settlements with governments and other victims who accused them of seeding a public health disaster by pushing prescription opioids and downplaying their addiction risks.

While Purdue Pharma has become a household name for its role in the opioid crisis, Mallinckrodt has been less recognized, even as its product known as Roxicodone became one of the widely misused legal painkillers. Documents that were made public through the company's first bankruptcy filing showed how Mallinckrodt aggressively promoted its prescription painkillers as the opioid crisis took hold in communities around the country.

Rebecca Robbins is a business reporter covering the pharmaceutical industry. She joined The Times in 2020 and has been reporting on health and medicine since 2015. More about Rebecca Robbins