

WEISS



January 31, 2025

Buying a healthcare business, from a medical practice to a medicine manufacturer, is a lot like buying a house—you hope for the best, but sometimes, there’s wood rot hiding under that fresh paint.

That was the subject of Monday's blog post, **What’s Lurking in Your Business Acquisition? Nearly \$60 Million in Lessons from Pfizer and Biohaven**. You can follow the link to read the post online, or just keep reading.

Buying a healthcare business, from a medical practice to a medicine manufacturer, is a lot like buying a house—you hope for the best, but sometimes, there’s wood rot hiding under that fresh paint.

When Pfizer acquired Biohaven Pharmaceutical Holding Company (“Biohaven”) in October 2022, it might not have anticipated the nearly \$60 million it would have to pay to the federal government per a January 2025 False Claims Act settlement tied to Biohaven’s alleged pre-acquisition kickback schemes.

Let’s be clear: there’s no indication Pfizer knew about Biohaven’s conduct while it was ongoing.

And that, in large part, is the point because this case is a stark reminder of the risks acquirers take on, especially in stock deals where liabilities transfer to the buyer.

What Happened?

Before Pfizer acquired the company, Biohaven allegedly paid kickbacks to healthcare providers to push prescriptions of its migraine drug, Nurtec ODT. These kickbacks were said to include speaker fees, lavish meals, and even payments for educational programs attended by people with no professional reason to be there, such as the providers' spouses and friends.

Originating with a whistleblower lawsuit in which the Department of Justice intervened, the government claimed that Biohaven's conduct violated the Anti-Kickback Statute and caused false claims to be submitted to Medicare and other federal healthcare programs. The liability didn't vanish when Pfizer acquired Biohaven—it became Pfizer's problem.

The Due Diligence Dilemma

In acquisitions of any size, legal and compliance risks lurk in the shadows, hidden behind spreadsheets, polished pitches, and from negligent to intentional misclassification. If you don't dig deep enough, you may end up inheriting skeletons you didn't even know existed.

For companies in highly regulated industries like healthcare, risks go beyond the usual. Compliance with laws like the Anti-Kickback Statute, Stark, and the False Claims Act, just to name a few, must be a top priority during any due diligence review.

The Pfizer/Biohaven settlement is a reminder that buying a company means buying everything that comes with it—the good, the bad, and the legally questionable. Whether you're acquiring a small practice or a major pharmaceutical firm, a thorough review of legal and compliance risks isn't optional.

Lessons for Acquirers

1. Dig Deeper: A surface-level review of contracts and financial statements won't cut it. You need specialized audits that assess compliance with industry-specific laws and regulations.

2. Evaluate Culture: Pay attention to the selling company's tone at the top. A culture that prioritizes short-term wins over ethics can create long-term liabilities.

3. Stock vs. Asset Deals: In an asset purchase, you can often leave behind liabilities like these. In a stock deal, they're yours for better or worse. Choose wisely.

4. Document Everything: If trouble does arise, a robust due diligence process and compliance program can help show that you acted responsibly.

After all, if you don't do your homework, the price you pay to resolve the mess might even exceed the purchase price you thought you paid for the whole business.



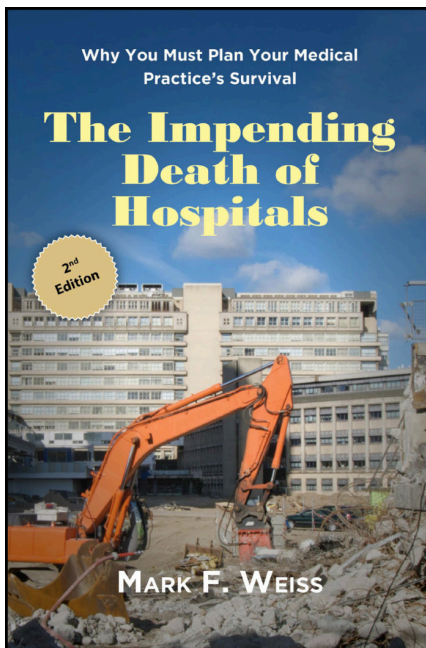
UPCOMING PRESENTATION:

Together with Shena Scott, I'll be presenting **How, Who, and Who's Next? Anesthesia Group Governance, Leadership Development and Succession Planning** at ASA Advance 2025 in Atlanta on January 31 through February 2.

If you'd like to meet to talk about potential ways to work with me on group organizational or group-hospital arrangements, especially maximizing hospital financial support, **email me.**

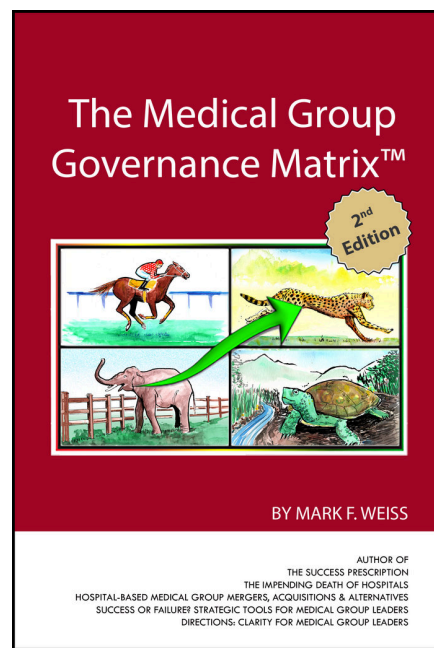
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