

PROPOSED ALLOCATION OF OPIOID RECOVERIES

Presented 6-21-2021

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INTRODUCTION

- Thank you for joining this meeting and continuing to work with the State and other Counties on this important issue regarding the allocation of opioid funds
- The opioid epidemic has ravaged every City, County, the State of Nevada as well as the Nation
- The epidemic does not care about municipal or state lines – it just kills people
- Lawsuits around the country number in the thousands and are in state courts, a federal MDL, and bankruptcy courts
- Information discussed, shared and included in this slide deck is confidential
- General Ford is excited about this discussion with you and the State's amended proposal is fair to the State, the Counties, and the Cities

DISCUSSIONS AND POTENTIAL CURRENT RECOVERIES

- Two Discussions by the State AGs:
 - Distributors are currently in discussions with State AG's negotiating team regarding potential settlement
 - Johnson & Johnson (J&J) is also in discussions with State AG's negotiating team regarding potential settlement
 - Currently, the State of Nevada is not participating in these discussions due to several factors including the State AGs allocation metrics
 - Some states are currently negotiating or have negotiated intrastate agreements on allocation and other have adopted legislation
- One Bankruptcy:
 - Purdue Pharma bankruptcy plan is scheduled to be voted on by mid July and approved in August
 - Judge has given clear indication it will be approved

OUR GOAL IS TO REACH AN INTRASTATE AGREEMENT

- An agreement between the State of Nevada, Counties, and Litigating Cities* for allocation of opioid recoveries allows us to negotiate a global settlement with J&J, the Distributors, and other defendants
 - *Litigating Cities are those cities and districts that filed litigation related to damages caused by the opioid epidemic
- By conducting a Statewide negotiation (including the State, Counties, and Litigating Cities), we are not constrained to the low allocation metrics
- Gives Nevada more control and leverage

UNIVERSALLY ACCEPTED METHODOLOGY

- The universally accepted methodology looks at cause and effect through the use of three metrics equally weighted for allocations between Counties.
- The first metric measured prescriptions issued by counties in **MMEs (Morphine Milligram Equivalent)**¹ from the ARCOS² database during the 2006 to 2014 time period. This metric was weighed 33.3%.
- **Opioid Use Disorder** was the second metric used and the source was the National Survey on Drug Use and Health (NSDUH) during the 2006 to 2019³ time period. This metric was weighed 33.3%.
- The last metric was **Deaths due to Opioids** and the source was the National Center of Health Statistics from the Multiple cause of Deaths Vital Statistics from 2006 to the 2019 time period. This metric was weighed 33.3%.
- Expenditures by Cost-Category in State and local government was used to arrive at State/local government allocations.

1. MME is a measurement pain management physicians use to determine how different opioids relate to each other

2. Automated Reports and Consolidated Ordering System (ARCOS) is a data collection system in which manufacturers and distributors report their controlled substances transactions to the Drug Enforcement Administration (DEA).

3. Please note there is a gap between 2014 through 2016 due to a methodology change from NSDUH.

SAME METHODOLOGY FOR EVERYONE

- The County and Litigating Cities POCs from the Purdue Bankruptcy used the Universal Methodology
- Calculations for the non-litigating counties (without a POC) were obtained from the expert who calculated the Purdue Bankruptcy POCs, used the same Universal Methodology
- State Purdue Bankruptcy POC used the same Universal Methodology
- State Damages Report used the same Universal Methodology
- Reason this is important is because it provides the same metric for calculating damages

DATA USED TO CALCULATE ALLOCATIONS

- The County and Litigating Cities POCs from the Purdue Bankruptcy

FOR EXAMPLE, LINCOLN COUNTY PROOF OF CLAIM

Schedule 1- Damages for Lincoln County, NV

Total Compensatory Damages for the period 2003-2040: \$15,462,868

Past Damages, 2003-June 2020:

Category	Amount (2020 Dollars)
Health Care	\$366,298
Drug Treatment Programs	\$38,570
Education	\$262,076
Law Enforcement & Criminal Justice	\$7,316,309
Child Welfare & Neonatal Services	\$78,045
Lost Sales Tax Revenue	\$117,309
Subtotal (past)	\$8,178,608

Future Abatement Costs, July 2020-2040:

Category	Amount (2020 Dollars)
Health Care	\$543,693
Drug Treatment Programs	\$681,351
Education	\$118,075
Law Enforcement & Criminal Justice	\$5,854,761
Child Welfare & Neonatal Services	\$0
Lost Tax Revenue	\$86,380
Subtotal (future)	\$7,284,260

DATA USED TO CALCULATE ALLOCATIONS

- The County and Litigating Cities POCs from the Purdue Bankruptcy
- Calculations for the non-litigating counties (without a POC) were obtained from the expert who calculated the Purdue Bankruptcy POCs

FOR EXAMPLE, EXPERT CALCULATION FOR ELKO COUNTY

Expert Calculation

GOVERNMENT ENTITY	ENTITY TYPE	TOTAL Past + Future	Law Enforcement & Criminal Justice - Past	Child Welfare & Adolescent Services - Past
ELKO COUNTY	County	\$49,654,698	\$23,330,801	\$155,867

GOVERNMENT ENTITY	ENTITY TYPE	TOTAL Past + Future	Law Enforcement & Criminal Justice - Future	Child Welfare & Adolescent Services - Future	Lost Tax Revenue - Future
ELKO COUNTY	County	\$49,654,698	\$18,718,175	\$0	\$904,626

DATA USED TO CALCULATE ALLOCATIONS

- The County and Litigating Cities POCs from the Purdue Bankruptcy
- Calculations for the non-litigating counties (without a POC) were obtained from the expert who calculated the Purdue Bankruptcy POCs
- State Purdue Bankruptcy POC and State Damages Report

STATE OF NEVADA PROOF OF CLAIM

Part 1: Identify the Claimant	
1. Name of Claimant.	Name: State of Nevada
2. Where should notices to the Claimant be sent?	Name: MARK J. KRUEGER
	Address: 100 N. Carson Street
	City: Carson City State: NV ZIP Code: 89701
	Contact phone:
Contact email: mkrueger@ag.nv.gov	
3. Notice to the Authorized Representatives	Notices should also be sent to the Authorized Representatives.
Part 2: Information Regarding Lawsuits Commenced by Claimant Against the Debtors	
4. The Claimant has commenced a lawsuit by filing the following complaint (the "Complaint") against the Debtors:	Case Name: State v. McKesson, et al
	Case Number: A-19-796755-B
	Court Name: Eighth Judicial District Court, Clark County Nevada
	Date the Complaint was filed: June 17, 2019
	Was the Complaint sealed at filing? No
	If so, does the Complaint remain under seal? N/A
	Causes of action asserted in the Complaint:
1. Violation of NRS 202.480 and common law (public nuisance)	
7. Claim Amount⁴	\$28,692,000,000

RS

STATE OF NEVADA PROOF OF CLAIM

Part 1: Identify the Claimant

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| 2. Where should notices to the Claimant be sent? | Name: MARK J. KRUEGER |
| | Address: 100 N. Carson Street |
| | City: Carson City State: NV ZIP Code: 89701 |
| | Contact phone: |
| | Contact email: mkrueger@ag.nv.gov |

DID NOT USE PROOF OF CLAIM FOR ALLOCATIONS

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RS

USED COMPUTATION OF DAMAGES FOR ALLOCATIONS

CALCULATION OF DAMAGES FOR THE STATE OF NEVADA

PURSUANT TO NRCP 16.1(a)(1)(C)

CATEGORY	AMOUNT
PAST DAMAGES:	
Past Nevada Medicaid Costs	2,182,000,000
ABATEMENT	
Future Medicaid Costs	7,142,000,000
Child Welfare/Remediation/Prevention Services/Family Grief Counseling	4,171,000,000
Community OUD Treatment Including Delivery System Enhancements	2,037,000,000
Supportive Housing & Social Services	1,062,000,000
Remedial Pain Control	506,000,000
HIV/HCV Testing & Treatment	414,000,000
OUD Treatment Through Courts	95,000,000
Pregnancy & Neonatal/Follow-up Care	172,000,000
Public Education/Mass Media Campaigns	161,000,000
Rx Monitoring/Poison Control/Naloxone/Takeback/Needle Exchange	72,000,000
Surveillance, Evaluation, Technical Assistance, & Program Management	55,000,000
Law Enforcement	34,000,000
Physician Reverse Detailing/Physician Education	28,000,000
TOTAL	\$18,131,000,000

DATA USED TO CALCULATE ALLOCATIONS

- The County and Litigating Cities POCs from the Purdue Bankruptcy
- Calculations for the non-litigating counties (without a POC) were obtained from the expert who calculated the Purdue Bankruptcy POCs
- State Purdue Bankruptcy POC and State Damages Report
- **Used the State Damages Report instead of the State of Nevada Purdue Bankruptcy POC**

ADJUSTMENTS MADE SINCE MEETING ON JUNE 18, 2021

- Addressed pass-through to local governments concerns
- Addressed school districts concerns
- Addressed Medicaid Match concerns
- Addressed allocation by population concerns

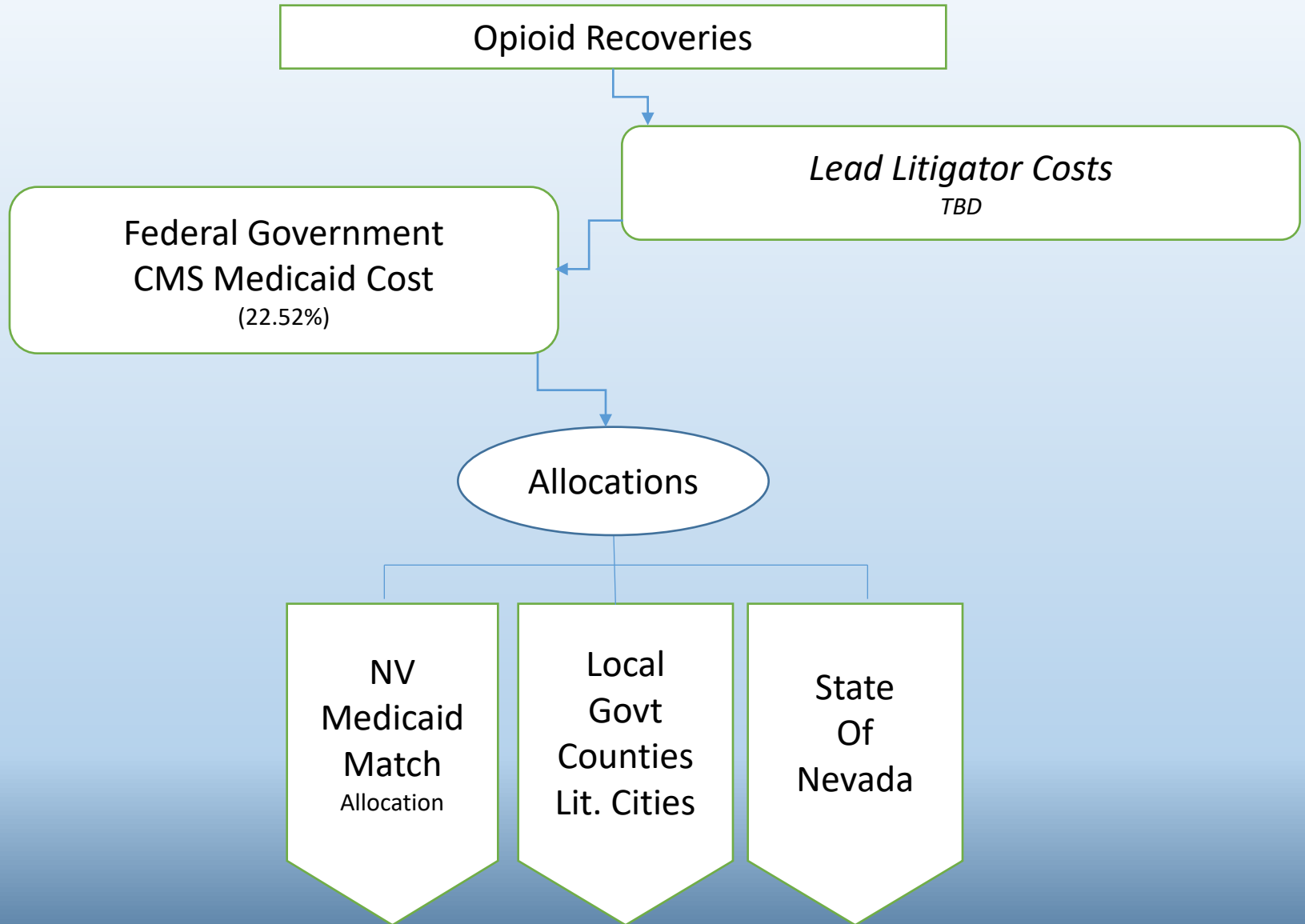
BENEFITS TO INTRASTATE ALLOCATION AGREEMENT

- Benefits include:
 - The present value realized by the State, Counties, and Litigating Cities in receiving funds through a settlement earlier than pursuing a judgment through litigation
 - Gives Nevada more control and leverage in negotiating settlements
 - SB390

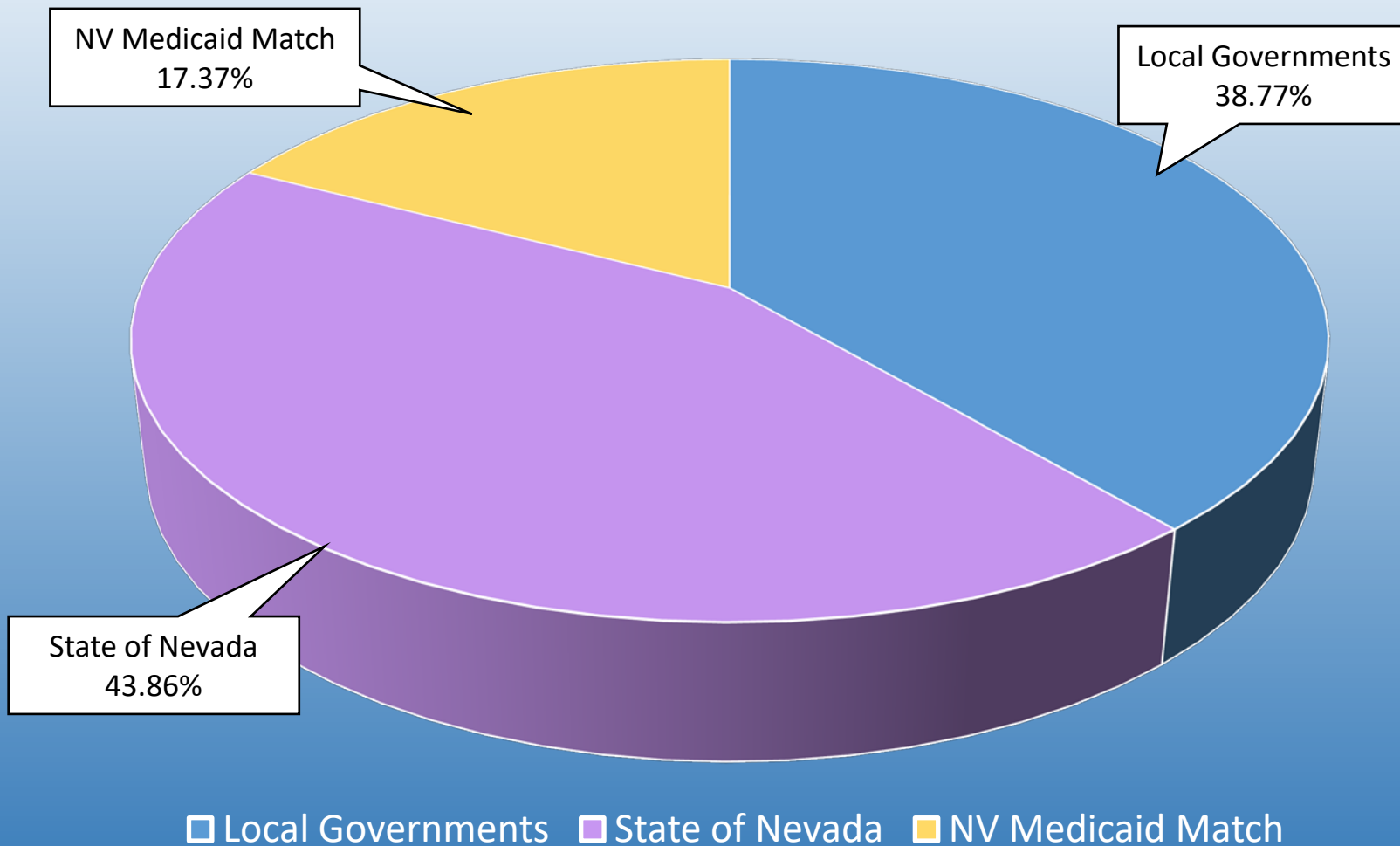
SB390 (2021)

- Signed into law on June 4, 2021
- Creates a State Fund for deposit of opioid settlements and judgments
- In general, requires the Department of Health and Human Services (DHHS) to:
 - Conduct a needs assessment using the State damages report and evidence based to create a State Plan to address the opioid epidemic
 - Allows DHHS to assist counties to develop a county specific needs assessment and county plan to work together with the State Plan
 - Creates a framework to allow the State and Counties to work together to develop and fund infrastructure and programs to address the opioid epidemic

POTENTIAL ALLOCATION OF OPIOID RECOVERIES

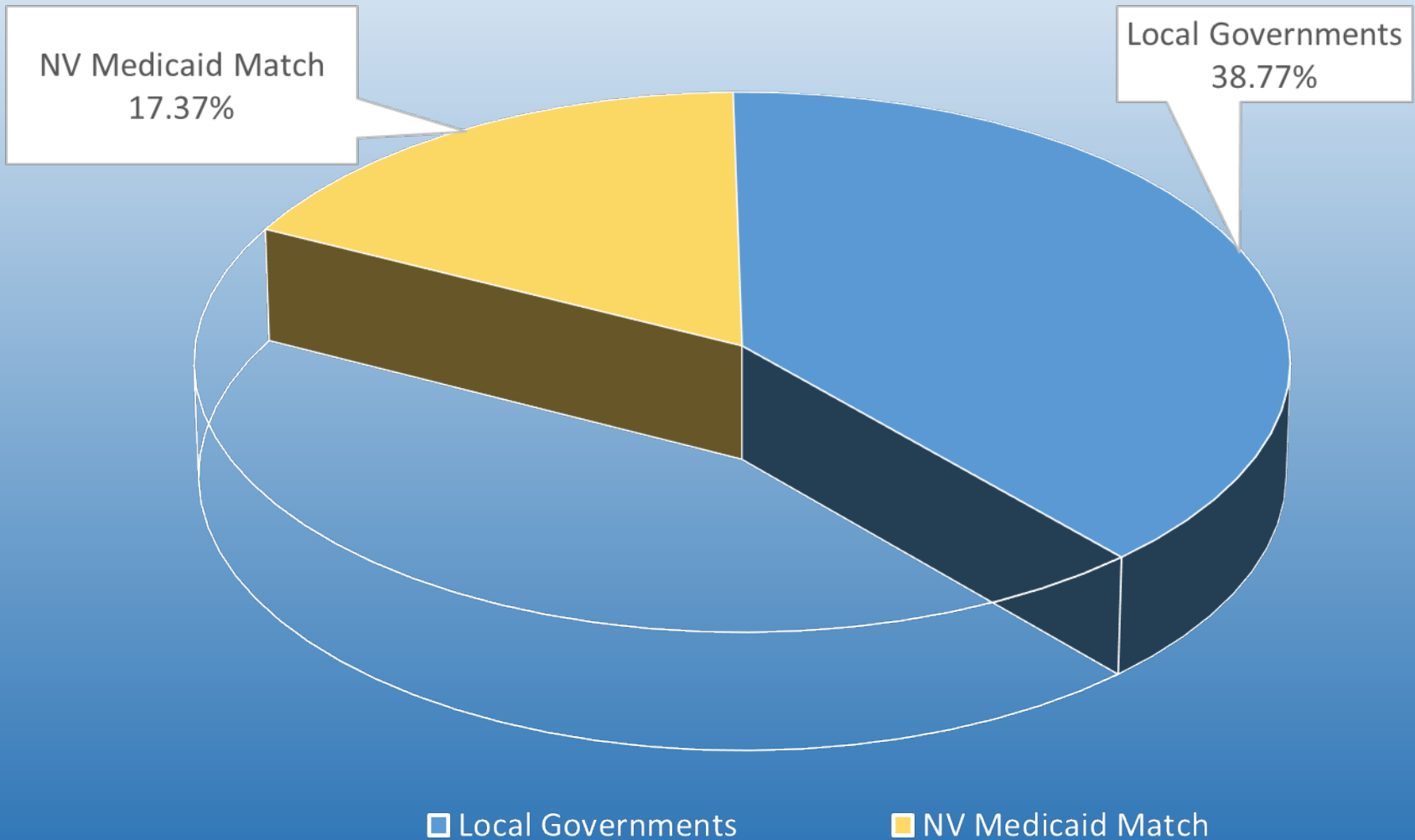


ALLOCATIONS



LOCAL GOVERNMENT ALLOCATION 56.14% INCLUDES MEDICAID MATCH

(NV Medicaid Match percentage distributed to Nevada Counties ONLY)

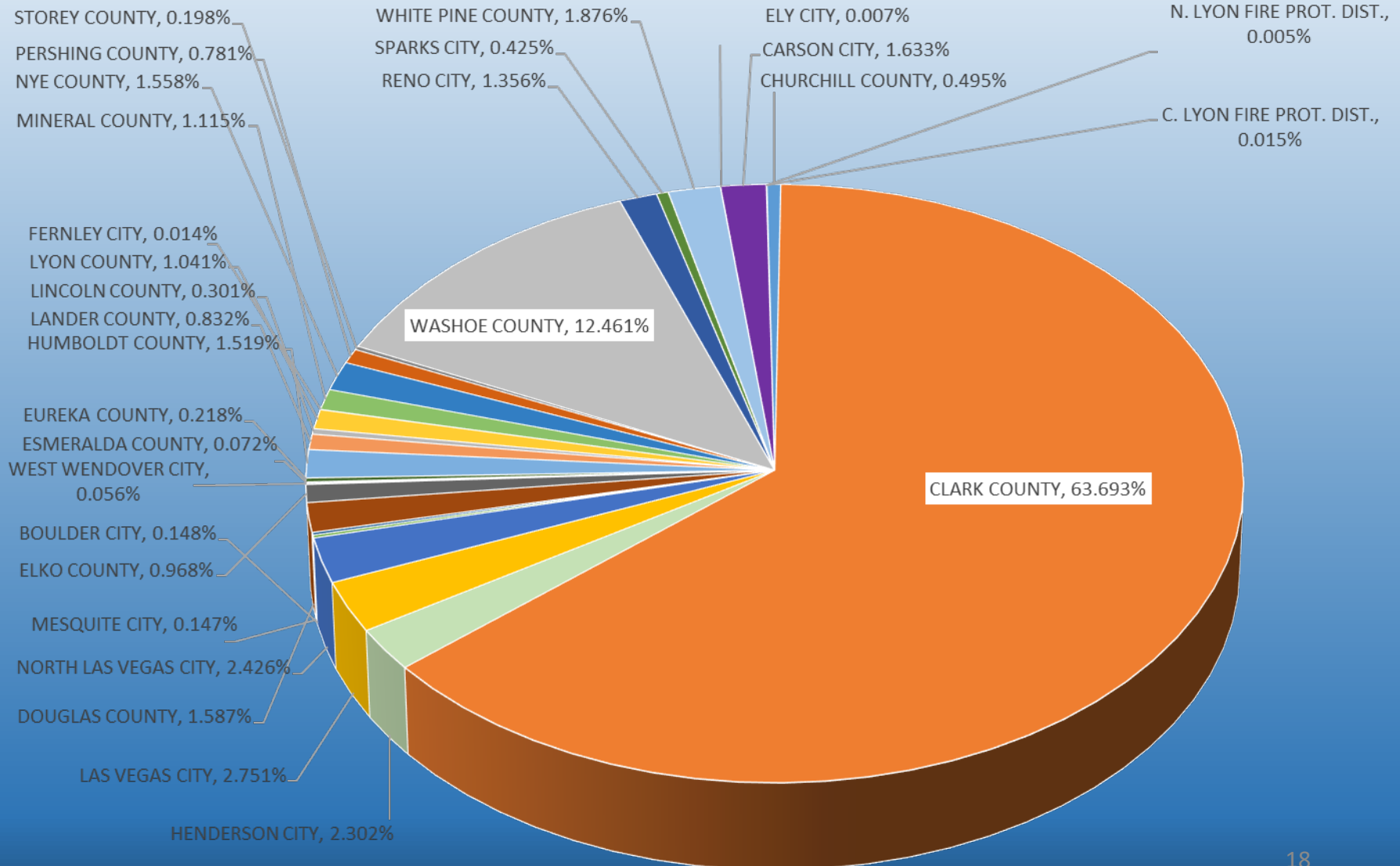


TWO OPTIONS FOR SPLITTING THE LOCAL GOVERNMENT ALLOCATION

- Local Governments 38.77% is split by total percentages of claims data of all local governments
- NV Medicaid Match 17.37% is split through one of two options
- **Option 1: 50:25:25 - Percentage Split**
 - 50% allocated to Clark County
 - 25% allocated to Washoe County
 - 25% allocated to all other counties by claims data percentages of those counties
- **Option 2: 50:25:25 - Population Split**
 - 50% allocated to Clark County
 - 25% allocated to Washoe County
 - 25% allocated to all other counties by population percentages of those counties

OPTION 1: LOCAL GOVERNMENTS ALLOCATION

50:25:25 – Percentage Split

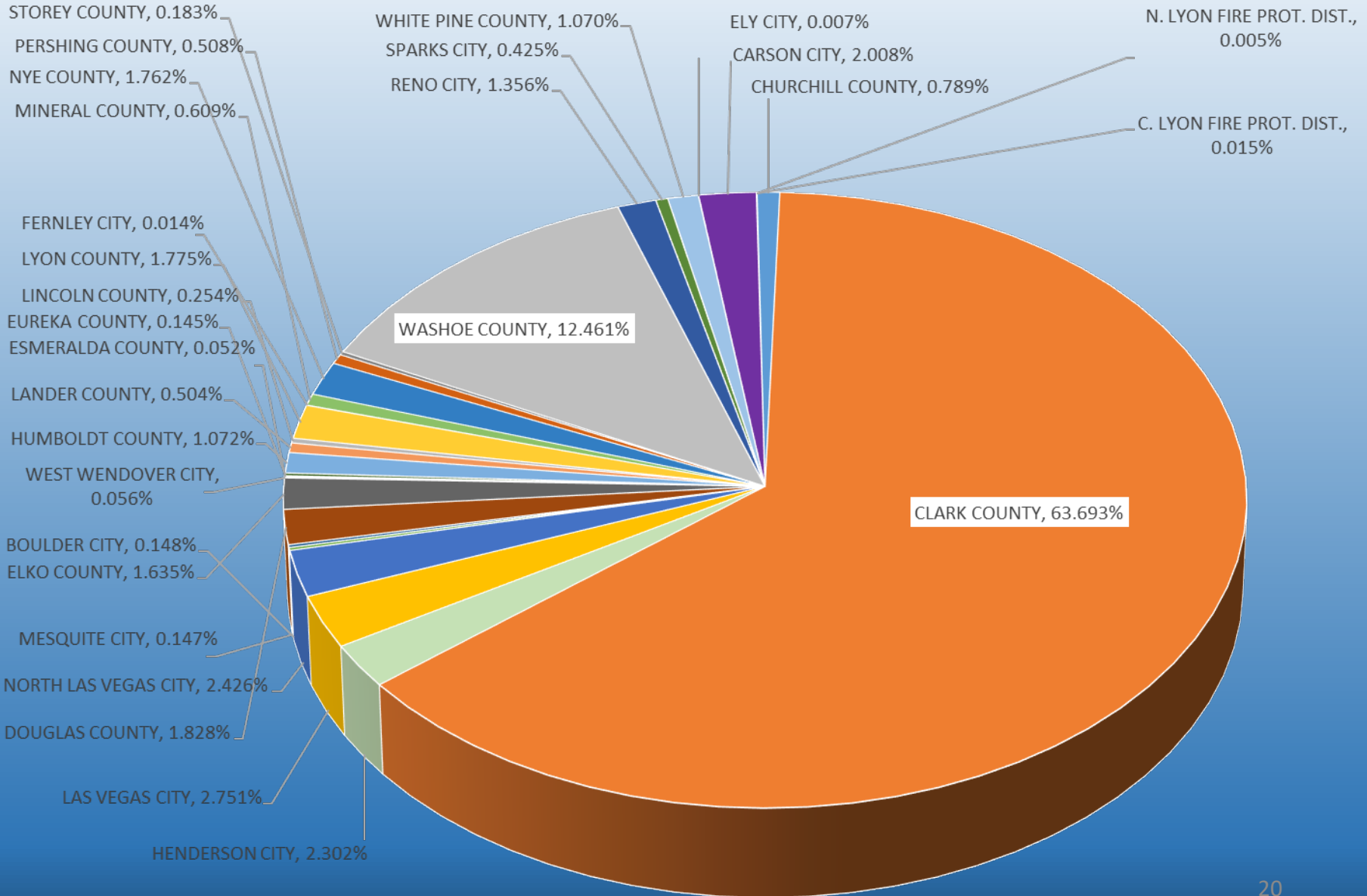


**Local Governments Allocation
(NV Medicaid Match applies ONLY to Counties)**

<u>Government Entity</u>	<u>Option 1: 50/25/25- Percentage Split</u>	<u>Option 2: 50/25/25 – Population Split</u>
CHURCHILL COUNTY	0.495%	
CLARK COUNTY	63.693%	
HENDERSON CITY	2.302%	
LAS VEGAS CITY	2.751%	
NORTH LAS VEGAS CITY	2.426%	
BOULDER CITY	0.148%	
MESQUITE CITY	0.147%	
DOUGLAS COUNTY	1.587%	
ELKO COUNTY	0.968%	
WEST WENDOVER CITY	0.056%	
ESMERALDA COUNTY	0.072%	
EUREKA COUNTY	0.218%	
HUMBOLDT COUNTY	1.519%	
LANDER COUNTY	0.832%	
LINCOLN COUNTY	0.301%	
LYON COUNTY	1.041%	
FERNLEY CITY	0.014%	
C. LYON FIRE PROT. DIST.	0.015%	
N. LYON FIRE PROT. DIST.	0.005%	
MINERAL COUNTY	1.115%	
NYE COUNTY	1.558%	
PERSHING COUNTY	0.781%	
STOREY COUNTY	0.198%	
WASHOE COUNTY	12.461%	
RENO CITY	1.356%	
SPARKS CITY	0.425%	
WHITE PINE COUNTY	1.876%	
ELY CITY	0.007%	
CARSON CITY	1.633%	

OPTION 2: LOCAL GOVERNMENTS ALLOCATION

50:25:25 – Population Split



**Local Governments Allocation
(NV Medicaid Match applies ONLY to Counties)**

<u>Government Entity</u>	<u>Option 1: 50/25/25- Percentage Split</u>	<u>Option 2: 50/25/25 – Population Split</u>
CHURCHILL COUNTY	0.495%	0.789%
CLARK COUNTY	63.693%	63.693%
HENDERSON CITY	2.302%	2.302%
LAS VEGAS CITY	2.751%	2.751%
NORTH LAS VEGAS CITY	2.426%	2.426%
BOULDER CITY	0.148%	0.148%
MESQUITE CITY	0.147%	0.147%
DOUGLAS COUNTY	1.587%	1.828%
ELKO COUNTY	0.968%	1.635%
WEST WENDOVER CITY	0.056%	0.056%
ESMERALDA COUNTY	0.072%	0.052%
EUREKA COUNTY	0.218%	0.145%
HUMBOLDT COUNTY	1.519%	1.072%
LANDER COUNTY	0.832%	0.504%
LINCOLN COUNTY	0.301%	0.254%
LYON COUNTY	1.041%	1.775%
FERNLEY CITY	0.014%	0.014%
C. LYON FIRE PROT. DIST.	0.015%	0.015%
N. LYON FIRE PROT. DIST.	0.005%	0.005%
MINERAL COUNTY	1.115%	0.609%
NYE COUNTY	1.558%	1.762%
PERSHING COUNTY	0.781%	0.508%
STOREY COUNTY	0.198%	0.183%
WASHOE COUNTY	12.461%	12.461%
RENO CITY	1.356%	1.356%
SPARKS CITY	0.425%	0.425%
WHITE PINE COUNTY	1.876%	1.070%
ELY CITY	0.007%	0.007%
CARSON CITY	1.633%	2.008%

NEVADA POPULATION BY COUNTY

Name	Population: US Census	County	Source - United States Census Bureau (2019)
Carson City	55,916	Carson City	https://www.census.gov/quickfacts/fact/table/carsoncitynevada,NV/PST045219
Churchill County	24,909	Churchill County	https://www.census.gov/quickfacts/fact/table/churchillcountynevada,NV/PST045219
Douglas County	48,905	Douglas County	https://www.census.gov/quickfacts/fact/table/douglascountynevada,NV/PST045219
Elko County	52,778	Elko County	https://www.census.gov/quickfacts/fact/table/elkocountynevada,NV/PST045219
Esmeralda County	873	Esmeralda County	https://www.census.gov/quickfacts/fact/table/esmeraldacountynevada,NV/PST045219
Eureka County	2,029	Eureka County	https://www.census.gov/quickfacts/fact/table/eurekacountynevada,NV/PST045219
Humboldt County	16,831	Humboldt County	https://www.census.gov/quickfacts/fact/table/humboldtcountynevada,NV/PST045219
Lander County	5,532	Lander County	https://www.census.gov/quickfacts/fact/table/landercountynevada,NV/PST045219
Lincoln County	5,183	Lincoln County	https://www.census.gov/quickfacts/fact/table/lincolncountynevada,NV/PST045219
Lyon County	57,510	Lyon County	https://www.census.gov/quickfacts/fact/table/lyoncountynevada,NV/PST045219
Mineral County	4,505	Mineral County	https://www.census.gov/quickfacts/fact/table/mineralcountynevada,NV/PST045219
Nye County	46,523	Nye County	https://www.census.gov/quickfacts/fact/table/nyecountynevada,NV/PST045219
Pershing County	6,725	Pershing County	https://www.census.gov/quickfacts/fact/table/pershingcountynevada,NV/PST045219
Storey County	4,123	Storey County	https://www.census.gov/quickfacts/fact/table/storeycountynevada,NV/PST045219
White Pine County	9,580	White Pine County	https://www.census.gov/quickfacts/fact/table/whitepinecountynevada,NV/PST045219
Total	341,922		

Name	Population: US Census	County	Source - United States Census Bureau (2019)
Clark County	2,266,715	Clark County	https://www.census.gov/quickfacts/fact/table/clarkcountynevada,NV/PST045219
Washoe County	471,519	Washoe County	https://www.census.gov/quickfacts/fact/table/washoecountynevada,NV/PST045219
Total	2,738,234		

APPLIES TO ALL RECOVERIES

- Recoveries **with** Medicaid damages
- Recoveries **without** Medicaid damages:
 - If no Medicaid damages, the Federal Government CMS Medicaid Cost (22.52%) would not be deducted from the total
 - All other allocations would work the same way:
 - Local Government 38.77% is split by total percentages of claims data of all local government; and
 - What would have been the NV Medicaid Match of 17.37% is split through either Option 1 or Option 2 (whichever is selected)
 - Note: Medicaid Match percentage distributed to Nevada Counties ONLY

ATTORNEY FEE ADJUSTER FOR NON-LITIGATING COUNTIES

- Adjustment will be made for non-litigating counties as follows:
 - Allocation percentage for the non-litigating counties will be deducted by 25% (contractual fee)
 - The total of that amount will be allocated to all other counties by total percentages of claims data for those counties
 - Non-litigating counties are:
 - Elko, Eureka, Lander, Pershing, Storey

Thank You

- Materials being emailed following this presentation:
 - Methodology - How the Allocation model works
 - Purdue POC Methodology
 - All County and Litigating City POCs filed with the Purdue Bankruptcy
 - Claims Calculations for non-litigating Counties
 - State POC filed with the Purdue Bankruptcy
 - State Computation of Damages
 - Claims Data Chart
 - Population Chart
 - This Slide Deck

Next Meeting Date (if needed): 6-28-2021