

December 15, 2022

Opioid Litigation Update

We are writing to give everyone an update on the most recent opioid settlement with McKesson. There has been a lot of work put in to get these settlements finalized and to the point where opioid abatement funds can start being distributed around the State of Alabama. We are proud to announce that the Year 1 payments from the McKesson settlement were issued yesterday to all litigating local governments and public hospitals who chose to receive their settlements via wire/ACH and who provided their banking information on time (note: if you chose to receive your settlement via check, then this will be issued in the next week or two). We have been informed that the ACH could take up to 72 hours to get to your account but should be there sooner. If you do not receive your settlement payment by Monday, please e-mail or call us to let us know. You should have already received a copy of the Special Master's report from us in the past showing the amount each entity will receive. Please note that the McKesson settlement will be paid over 10 years. In the near future, we plan to provide you with a payment schedule, which will detail your settlement payments for Years 2-10; however, the Special Master has not finalized this report yet.

We also wanted to point out two very important details related to this settlement (and likely any future settlements). **PLEASE READ THIS CAREFULLY.** First, the Receiver will keep your banking information on file for future settlements. **If your bank account information changes at any time over the next 10 years, then you will need to inform us so we can update the information for the Receiver.** Second, all of the opioid settlement funds have parameters and limitations on what the funds may be used for. We are attaching the "List of Opioid Remediation Uses" from the Settlement Agreement which lay out the "Core Strategies" and "Approved Uses" for the opioid abatement funds. **Please make sure you abide by these approved uses/strategies.** We anticipate these strategies and approved uses will remain the same or substantially similar in future settlements. If there are any substantial changes to this in the future, we will update

you further. If you ever have any questions about these, please do not hesitate to contact us or contact the Attorney General's office directly to discuss.

We will be sending out updates in the future on the status of the Janssen/J&J settlement and the most recent Wal-Mart settlement. You should already have received the Special Master's report for the Janssen/J&J settlement, which shows the amounts that will be paid to each entity. If you did not receive this, please let us know and we will re-send it to you. As always, if you have any questions or concerns, please do not hesitate to give us a call.

Sincerely,



Matt Conn

MC/tm

Enclosure:

(1) McKesson Approved Uses

cc:

Jeff Friedman



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November 7, 2022

Opioid Litigation Update

Please be advised that the settlement with McKesson has been finalized. After a lot of work, the final allocation and distribution methodology has been finished and detailed in a report to the Court by the Special Master. The Special Master's report is attached hereto for your review. Exhibit A to the Special Master's Report gives the amount of the McKesson settlement that will be allocated to each town, city, county, public hospital and/or board of health in the State of Alabama.

The amounts shown in Exhibit A are *after* attorneys fees and expenses, as detailed in the Special Master's report. Please note that the McKesson settlement is not paid in a lump sum (like the J&J/Janssen settlement), so the amounts shown will be paid over 10 years. The payment schedules will be provided at a later date.

Please note that the Special Master's report for the J&J/Janssen settlement should be filed next week. Once it is filed, we will update you further.

As always, if you have any questions or concerns, please do not hesitate to give us a call.

Sincerely,

Matt Conn

MC/tm

Enclosures:

(1) Special Master's Report for McKesson Settlement

cc:

Jeff Friedman

**McKesson-Alabama
Litigating Local Governments &
Litigating Local Governmental Public Health Entities
Special Master Report**

**I. Total Amount to State and Gross Amounts to Litigating Local Governments and
Litigating Public Health Entities**

Pursuant to Exhibit H of the *McKesson Alabama Settlement Agreement* (“MASA”), McKesson shall pay a total of \$141,000,000 in Compensatory Restitution Amount to the State of Alabama. Pursuant to §B.1 of the *McKesson and Janssen Opioid Settlement Allocation Agreement*, “The State, Political Subdivisions [Litigating Local Governments (“LLGs”)] and Litigating Governmental Public Health Entities [“LGPHE”)] shall divide all Settlement Funds with 50% going to the State, 40% going to the Political Subdivisions [Litigating Local Governments], and 10% going to the Litigating Governmental Public Health Entities.

Therefore, the gross amounts to the State, LLGs, and LGPHE, before considering holdbacks, if applicable, fees, and expenses are as follows:

Gross Settlement Summary before Fees & Expenses	Percentage	Gross Amounts
State of Alabama	50%	\$71,500,000.00
Litigating Local Governments	40%	\$56,400,000.00
Litigating Local Governmental Public Health Entities	10%	\$14,100,000.00
		\$141,000,000.00

II. LLG & LPGHE Administrative & Miscellaneous Fees & Expenses

Pursuant to the *Order Establishing Qualified Settlement Fund and Appointing Receiver for the Fund* (see Doc. 2834) and the *Order Appointing Special Master* (see Doc. 2839), the administrative fees and costs attributable to the LLG and LGPHE portions of the MASA are \$60,000.00. Pursuant §2 of the Appointing Order, \$30,000.00 shall be paid to Special Master

Joseph Tann. In addition, under the ¶8 QSF Order, \$30,000.00 shall be paid to Richard Weinberg of Winbridge Partners for his services as the court-appointed receiver.

III. Attorneys' Fees

A. Attorneys' Fees – Contingency Fees

In addition to the Compensatory Restitution Amount listed in Section I above, §VII of the MASA provides for \$11,000,000.00¹ to be paid “for Subdivision counsel... for fees and costs...” Pursuant to Exhibit H.§.B.c of the MASA, the \$11,000,000 award for subdivision fees and costs is “to be paid in two equal installments over two years, beginning in 2022”. The allocation/division of the \$11,000,000 fee fund was determined by multiplying the percentage of the LLG/LGPHE funds to be received by the client by the applicable contingency fee contract rate, capped at a rate of 25%. In other words, the formula used the lower of: (a) the actual contract rate, or (b) 25%. Consistent with the allocation to LLGs/LGPHEs, 80% of the Subdivision counsel fee fund is being awarded to counsel for the LLGs and 20% of the Subdivision counsel fee fund is being awarded to counsel for the LGPHEs.

However, the amount of compensation available under §VII of the MASA, which would have resulted in a cumulative average contingency fee of ~13.5% of the gross amounts for the LLGs/LGPHEs, after adding the attorney fee fund payment, is insufficient compensation for counsel to the more than 250 LLGs/LLGHEs receiving payments under the MASA who have valid and enforceable contingency fee agreements with their LLG/LGPHE clients ranging from 20% to 40%.

¹ Pursuant to §2 of the Appointing Order, “the Special Master shall receive a separate payment of \$30,000... for work performed to determine the necessary and appropriate methodology for allocating attorneys’ fees to local government attorneys and Litigating Governmental Public Health Entities attorneys, whether the attorney fees are distributed through an Attorney Fee Fund, a deficiency fund, a backstop fund, or otherwise.” The expense will be taken out of the Attorney Fee Fund (§VII of the MASA), before the allocations to counsel are determined.

B. Backstop/Deficiency Fund

To address the insufficient compensation afforded to counsel for LLGs/LGPHEs, an additional \$6,471,106.48 is being made available from the gross amounts to the LLGs/LGPHEs listed in the chart in Section I above. When added to the \$11,000,000.00 from §VII of the MASA, this results in a total gross amount of \$17,441,106.48 to pay contingent fee contracts, after accounting for administrative expenses. Counsel either has been, or will be, notified by the Special Master, in writing, of the attorney fee award for each of the LLG/LPGHE clients that they represent. Counsel for the LLGs/LGPHEs waived enforcement of their contracts other than in compliance with the terms and conditions contained within this report.

C. Attorneys' Fees - Common Benefit Fund

To compensate the court-appointed Committees for common benefit work (*see* Doc. 2675), the Court ordered that “two percent (2%) of the portion of the Johnson & Johnson and McKesson settlements be allocated to the Alabama local governments, boards of health, and public health authorities that have filed cases in the MDL” be paid into the Committee Fee Fund, as defined by the Court in Doc. 2675. Because all of the participating LLGs either are or were docketed in *MDL 2804 In Re: National Prescription Opioid Litigation*, exactly 2% of the gross amount attributable to LLGs listed in the chart in Section I above is subject to the 2% assessment ($2.000\% \times \$56,400,000.00 = \$1,128,000.00$). However, nearly half the LGPHE cases, by allocation percentage, either are, or were, pending in state court, so only ~1.05% of the gross amount attributable to LGPHEs listed in the chart in Section I above is subject to the 2% assessment ($\sim 1.049\% \times \$14,100,000 = \$147,914.30$).

Combined, the total Committee Fee Fund award for the MASA is \$1,275,914.30. The court-appointed Committee Fee Fund members voluntarily agreed to the division and allocation of the Committee Fee Fund compensation, and the Special Master accepted their agreement.

IV. Payment Amounts to Litigating Local Governments & Litigating Local Governmental Public Health Entities²

A. Payments to Litigating Local Governments

The net of all applicable administrative fees and expenses, of the original \$56,400,000.00 gross amount allocated to LLGs³, \$50,058,163.68 (88.76%) is available to pay LLGs. The methodology for awarding the \$50,058,163.68 to LLGs is substantially similar to the methodology used in MDL 2804. At the county level, the model incorporates the following factors:

1. The number of persons suffering from opioid use disorder in the county.
2. The number of overdose deaths that occurred in the county.
3. The amount of opioids distributed within the county by Morphine Milligram Equivalent

For Cities/Towns, the formula draws on US Census Bureau data on local government spending by function. The functions or expenditure categories examined for each jurisdiction were: elementary and secondary education net of capital outlay, public welfare (including child protective services), hospitals net of capital outlay, health, police protection, fire protection, corrections net of capital outlay, housing and community development, and judicial and legal.

All Alabama Litigating Local Governments participating in the MASA were assigned an allocation amount using the allocation model referenced above and the \$50,058,163.68 for LLGs is hereby allocated as set forth in the attached Exhibit A. If an LLG wishes to object to an allocation

² Consistent with the terms and conditions of the Final Arbitration Award set for in Exhibit H of the MASA, payments to LLGs/LGPHEs will be made over a period of ten (10) years.

³ This calculation excludes the attorneys' fees paid pursuant to §VII of the MASA, because those funds were never available for distribution to LLGs/LGPHEs.

amount, it must do so no later than 5:00 pm CDT on November 18, 2022, at which time all LLG allocations will become final.

B. Payments to Local Governmental Public Health Entities

Net of all applicable administrative fees and expenses, of the original \$14,100,000.00 gross amount allocated to LGPHEs⁴, \$12,610,153.24 (89.43%) is available to pay LGPHEs. The allocation percentages for payments to LGPHEs were determined by an arbitration proceeding that was conducted by the Honorable Sally Shushan, a retired federal magistrate judge for the United States District Court for the Eastern District of Louisiana. The final allocation percentages for LGPHEs are attached hereto as Exhibit B. The LGPHE allocations are final and are not subject to further dispute or objection.

Local Government Summary Chart - McKesson

Description	Amount	Classified	Percentage
Payable to LLGs	\$50,058,163.68	\$62,668,316.92	76.9%
Payable to LGPHEs	\$12,610,153.24		
Payable to Attorney Fee Fund (LLGs)	\$8,776,000.00	\$13,922,106.48	17.1%
Payable to Backstop/Deficiency Fund (LLGs)	\$5,146,106.48		
Payable to Attorney Fee Fund (LGPHEs)	\$2,194,000.00	\$3,519,000.00	4.3%
Payable to Backstop/Deficiency Fund (LGPHEs)	\$1,325,000.00		
Payable to Common Benefit	\$1,275,914.30	\$1,275,914.30	1.6%
Payable to Admin/Misc. Expenses	\$114,662.30	\$114,662.30	0.1%
TOTAL	\$81,500,000.00	\$81,500,000.00	100.0%

IT IS SO ORDERED

SPECIAL MASTER



Joseph C. Tann, ESQ

⁴ This calculation excludes the attorneys' fees paid pursuant to §VII of the MASA, because those funds were never available for distribution to LLGs/LGPHEs.

Exhibit A
Litigating Local Government Allocations
McKesson-Alabama
Litigating Local Governments &
Litigating Local Governmental Public Health Entities
Special Master Report

\$50,058,163.68

Litigating Local Government	Net Allocation to Subdivision
Abbeville	\$33,681.27
Alabaster	\$318,088.73
Albertville	\$188,507.44
Alexander City	\$194,452.35
Anniston	\$502,097.41
Arab	\$120,660.49
Argo	\$15,006.89
Ashland	\$24,469.62
Ashville	\$11,277.79
Athens	\$219,278.86
Attalla	\$103,129.02
Auburn	\$309,526.76
<i>Autauga County</i>	\$157,939.08
<i>Baldwin County</i>	\$921,587.68
<i>Barbour County</i>	\$45,614.55
Bay Minette	\$79,068.43
Berry	\$12,915.12
Bessemer	\$366,434.66
<i>Bibb County</i>	\$206,256.46
Birmingham	\$2,622,920.87
<i>Blount County</i>	\$466,224.91
Boaz	\$104,011.36
Brent	\$39,072.16
Brewton	\$138,720.98
Bridgeport	\$948.39
Brookwood	\$4,366.67
Brundidge	\$6,831.57
<i>Bullock County</i>	\$40,234.34
Butler	\$51,420.71
<i>Butler County</i>	\$33,683.45
Calera	\$152,443.03
<i>Calhoun County</i>	\$457,613.73

Exhibit A
Litigating Local Government Allocations

Camp Hill	\$3,807.62
Carbon Hill	\$58,456.57
Cedar Bluff	\$35,893.36
Center Point	\$6,726.89
Centre	\$90,579.07
Centreville	\$14,364.78
Chambers County	\$267,314.70
Cherokee	\$5,249.57
Cherokee County	\$191,023.47
Chickasaw	\$50,554.40
Childersburg	\$60,637.99
Chilton County	\$412,668.33
Choctaw County	\$78,826.30
Clanton	\$105,805.61
Clarke County	\$150,517.12
Clay County	\$103,792.59
Cleburne County	\$128,596.22
Cleveland	\$7,990.82
Coffee County	\$195,438.50
Colbert County	\$199,573.22
Columbiana	\$31,383.58
Conecuh County	\$96,816.25
Coosa County	\$76,339.31
Cordova	\$59,944.78
Covington County	\$286,414.40
Crenshaw County	\$90,115.92
Cullman	\$337,207.28
Cullman County	\$562,137.01
Dadeville	\$15,158.67
Dale County	\$152,450.55
Daleville	\$48,595.64
Dallas County	\$129,650.84
Daphne	\$201,398.02
Dauphin Island	\$28,911.09
De Kalb County	\$251,103.12
Decatur	\$1,180,751.68
Demopolis	\$91,728.55
Dora	\$57,920.79
Dothan	\$683,436.49
Double Springs	\$50,304.44

Exhibit A
Litigating Local Government Allocations

Douglas	\$609.74
East Brewton	\$16,653.48
Elmore County	\$348,799.09
Enterprise	\$208,391.93
Escambia County	\$408,463.23
Etowah County	\$644,549.11
Eufaula	\$133,259.79
Evergreen	\$25,982.44
Fairfield	\$73,333.42
Fairhope	\$139,958.78
Faunsdale	\$172.79
Fayette County	\$86,984.56
Fayette	\$49,410.14
Florence	\$557,202.94
Foley	\$215,585.89
Fort Deposit	\$3,234.88
Fort Payne	\$364,878.85
Franklin County	\$180,573.80
Fultondale	\$59,740.25
Gadsden	\$524,356.36
Geneva	\$41,615.38
Geneva County	\$138,334.91
Georgiana	\$11,492.21
Geraldine	\$6,902.57
Gilbertown	\$1,263.46
Grant	\$10,670.81
Graysville	\$23,090.95
Greene County	\$44,214.08
Greensboro	\$15,643.27
Greenville	\$107,276.64
Guin	\$15,892.48
Gulf Shores	\$305,799.83
Guntersville	\$159,330.41
Gurley	\$4,711.69
Hale County	\$82,675.36
Haleyville	\$89,385.70
Hamilton	\$56,617.01
Hammondville	\$3,073.41
Hartselle	\$39,856.95
Headland	\$39,357.86

Exhibit A
Litigating Local Government Allocations

Helena	\$87,382.89
Henagar	\$21,513.86
Henry County	\$50,990.40
Homewood	\$249,964.75
Hoover	\$886,229.99
Houston County	\$350,213.30
Hueytown	\$121,885.44
Huntsville	\$1,999,069.10
Irondale	\$108,500.12
Jackson County	\$99,089.64
Jacksonville	\$156,768.15
Jasper	\$883,718.23
Jefferson County	\$3,452,452.21
Killen	\$11,490.78
Lamar County	\$102,050.42
Lanett	\$80,234.80
Lauderdale County	\$299,049.03
Lawrence County	\$284,316.13
Leeds	\$93,976.49
Leesburg	\$12,027.11
Leighton	\$3,539.70
Level Plains	\$2,197.64
Limestone County	\$364,744.14
Lincoln	\$115,751.67
Linden	\$10,769.00
Locust Fork	\$2,449.74
Louisville	\$2,903.36
Lowndes County	\$43,511.06
Loxley	\$25,783.61
Luverne	\$9,604.60
Macon County	\$85,547.80
Madison County	\$822,640.56
Madison	\$295,161.63
Marengo County	\$31,216.65
Marion	\$14,763.34
Marion County	\$139,763.16
Marshall County	\$464,874.26
McKenzie	\$2,761.52
Midfield	\$243.98
Millbrook	\$155,166.28

Exhibit A
Litigating Local Government Allocations

Mobile	\$2,023,136.31
<i>Mobile County</i>	\$1,730,184.63
<i>Monroe County</i>	\$118,005.47
Monroeville	\$66,566.28
Montgomery	\$1,114,041.43
<i>Montgomery County</i>	\$614,501.48
Moody	\$22,695.67
<i>Morgan County</i>	\$196,660.25
Moulton	\$84,910.79
Mountain Brook	\$223,485.69
Munford	\$15,156.05
Muscle Shoals	\$168,165.85
Nauvoo	\$11,724.91
New Hope	\$8,198.36
Northport	\$265,879.80
Oakman	\$26,263.11
Oneonta	\$169,498.45
Opelika	\$336,346.35
Opp	\$58,077.51
Orange Beach	\$184,392.51
Oxford	\$220,881.29
Ozark	\$184,910.99
Parrish	\$73,252.80
Pelham	\$430,871.08
Pell City	\$278,582.16
<i>Perry County</i>	\$31,892.41
Phenix City	\$392,359.87
<i>Pickens County</i>	\$179,661.15
Piedmont	\$89,941.86
<i>Pike County</i>	\$18,626.73
Pleasant Grove	\$32,397.04
Powell	\$3,325.31
Prattville	\$378,174.49
Priceville	\$7,632.82
Prichard	\$68,975.21
Ragland	\$9,526.56
Rainbow City	\$84,371.93
Rainsville	\$117,948.28
<i>Randolph County</i>	\$111,250.32
Red Bay	\$39,331.27

Exhibit A
Litigating Local Government Allocations

Roanoke	\$68,375.05
Robertsdale	\$53,684.52
Rockford	\$3,689.49
<i>Russell County</i>	\$106,796.63
Russellville	\$198,642.71
Saraland	\$155,754.22
Satsuma	\$39,241.39
Scottsboro	\$415,935.78
Selma	\$165,452.18
Semmes	\$26,329.76
Sheffield	\$100,881.51
<i>Shelby County</i>	\$1,026,451.04
Sipsey	\$23,561.00
Slocomb	\$27,730.98
Spanish Fort	\$18,426.79
Springville	\$36,238.34
<i>St Clair County</i>	\$650,567.95
Sumiton	\$145,792.41
Summerdale	\$15,359.36
<i>Sumter County</i>	\$74,052.23
Sweet Water	\$188.06
Sylacauga	\$144,697.39
Talladega	\$143,044.23
<i>Talladega County</i>	\$323,354.10
<i>Tallapoosa County</i>	\$122,044.26
Tarrant	\$57,666.40
Thomasville	\$55,490.05
Troy	\$205,748.66
Trussville	\$153,248.16
Tuscaloosa	\$1,223,084.77
<i>Tuscaloosa County</i>	\$634,655.24
Tuscumbia	\$52,855.57
Tuskegee	\$57,537.42
Union Springs	\$26,520.55
Uniontown	\$11,373.92
Vance	\$6,035.94
Vernon	\$19,876.14
Vestavia Hills	\$193,288.79
<i>Walker County</i>	\$917,425.07
<i>Washington County</i>	\$101,135.00

Exhibit A
Litigating Local Government Allocations

Weaver	\$26,500.09
West Blocton	\$25,353.82
Wetumpka	\$104,060.52
<i>Wilcox County</i>	\$55,104.98
Winfield	\$119,247.20
Woodville	\$289.14
Yellow Bluff	\$1,837.07

Exhibit B
Litigating Governmental Public Health Entities Allocations

McKesson-Alabama
Litigating Local Governments &
Litigating Governmental Public Health Entities
Special Master Report

\$12,610,153.24

Litigating Governmental Public Health Entities	Net Allocation to Special District
Bibb County Healthcare Authority d/b/a Bibb Medical Center	\$335,663.12
Dale County Healthcare Authority d/b/a Dale Medical Center	\$191,500.11
DCH Health Care Authority (Tuscaloosa) (d/b/a DCH Regional Medical Center and Northport Medical Center	\$1,303,922.13
Escambia County Health Care Authority d/b/a D.W. McMillan Memorial Hospital and Atmore Community Hospital	\$98,977.59
Geneva County Health Care Authority d/b/a Wiregrass Medical Center	\$311,994.57
Health Care Authority of Clarke County d/b/a Grove Hill Memorial Hospital	\$64,550.60
Healthcare Authority for Baptist Health, an affiliate of UAB Health System d/b/a Baptist Medical Center East (Montgomery)	\$395,910.35
Healthcare Authority for Baptist Health, an affiliate of UAB Health System d/b/a Baptist Medical Center South (Montgomery)	\$832,702.74
Healthcare Authority for Baptist Health, an affiliate of UAB Health System d/b/a Prattville Baptist Hospital	\$118,342.77
Lakeland Community Hospital HCA Winston County	\$124,797.83
Medical West Hospital Authority (UAB)	\$533,618.30
Monroe County Health Care Authority d/b/a Monroe County Hospital	\$105,432.65
Sylacauga Health Care Authority d/b/a Coosa Valley Medical Center	\$305,539.51
Greene County Health System	N/A
Tombigbee Health Care Authority d/b/a Brian W. Whitfield Memorial Hospital	\$131,252.89
Attentus Mouton, LLC d/b/a Lawrence Medical Center (Lawrence County Health Care Authority)	\$90,477.44
Cullman Regional Medical Center, Inc. (Healthcare Authority of Cullman County)	\$279,848.83
Decatur Morgan Hospital-Parkway (Health Care Authority of the City of Huntsville)	\$252,495.18

Exhibit B
Litigating Governmental Public Health Entities Allocations

Health Care Authority of the City of Huntsville d/b/a Huntsville Hospital	\$1,940,004.66
HH Health System-Athens Limestone, LLC d/b/a Athens Limestone Hospital (Healthcare Authority of the City of Huntsville)	\$138,872.35
HH Health System-Morgan, LLC d/b/a Decatur Morgan Hospital Decatur	\$694,361.75
HH Health Systems-Shoals LLC d/b/a Hellen Keller Hospital (Healthcare Authority of the City of Huntsville)	\$361,909.76
HH Health Systems-Shoals, LLC d/b/a Red Bay Hospital (Healthcare Authority of the City of Huntsville)	\$52,603.16
Jackson County Healthcare Authority	\$199,892.02
Marshall County Health Care Authority	\$189,371.39
Marshall County Health Care Authority	\$410,304.67
Jefferson County Board of Health	\$1,933,790.47
Mobile County Board of Health/Family Oriented PHC	\$1,212,016.42