



It's real.

MEMORANDUM

To: City of Seguin Mayor and Council
From: Andy Quittner, City Attorney *AQ*
Date: September 29, 2021
Re: Resolution adopting the Global Opioid Settlement and Texas Term Sheet

In 2020, opioid overdose deaths hit a record 69,000 in the United States. In Texas, drug overdose deaths also increased by 31.9%, driven primarily by the opioid overdose deaths (according to the Centers for Disease Control: National Center for Health Statistics.)

On July 23, 2021, Attorney General Ken Paxton announced that global settlements had been reached with three major opioid distributors and opioid manufacturer Johnson & Johnson. Texas, along with a broad coalition of states and subdivisions, had reached final agreements with four companies to resolve legal claims against them for their role in the opioid crisis. One agreement is with the opioid manufacturer Johnson & Johnson (J&J.) The other is with three major pharmaceutical distributors: AmerisourceBergen, Cardinal Health and McKesson.

Financial Terms. The two agreements provide for \$26 billion in payments over 18 years, with \$23.9 billion available for opioid abatement and significant amounts front loaded. Funding will be distributed to states according to the allocation agreement reached among the Attorneys General. Subdivisions can only participate in the agreement if their state participates. Texas' combined share is almost \$1.5 billion: \$1.17 billion from the distributors and \$268 million from J&J. Distribution within Texas is handled through an intrastate agreement between the state and litigating subdivisions. The funding must be used to support any of a wide variety of strategies to fight the opioid crisis. Separate provisions exist to compensate attorneys who have pursued opioid litigation on behalf of states and local governments. Once the state agrees to participate, then the more subdivisions that join, the more money everyone in Texas will receive. Future opioid litigation may result in suspension and reduction of payments. Even without full resolution of claims, states and subdivisions can still

receive substantial payments by resolving a significant portion of current and future claims.

Injunctive Terms. Both agreements contain industry-changing injunctive terms. The distributors will be subject to more oversight and accountability, including an independent monitor, to prevent deliveries of opioids to pharmacies where diversion and misuse occur. They will be required to establish and fund an independent clearinghouse to track opioid distribution nationwide and flag suspicious orders. J&J will be prohibited from selling or promoting opioids.

The amount of revenue to be received through this settlement is indeterminable at this time.

By signing onto the settlement and executing a release, the City of Seguin and any other subdivision can increase the funds coming into Texas and we will be entitled to a portion of the funds that the state receives. Subdivisions will receive direct payments under the settlement and get funding for abatement programs. Funds are distributed in accordance with the Term Sheet (attached to resolution) and Senate Bill 1827 (attached) of the 87th Regular Legislature of Texas.

Summarily, funds received can be used for opioid abatement strategies that treat, mitigate, prevent opioid use as well as recoup costs to respond to the opioid epidemic.

The deadline to sign on is 120 days after the state sign-on period, estimated to be January 2, 2022.

City staff recommends adopting the Resolution.