1	UNITED STATES DISTRICT COURT
2	EASTERN DISTRICT OF LOUISIANA
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5	TN RE: VTOXX PRODUCTS * Docket 05-MD-1657-I
6	LIABILITY LITIGATION *
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8	This Document Relates to All Cases * 9:00 a.m.
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10	STATUS CONFERENCE BEFORE THE
11	HONORABLE ELDON E. FALLON UNITED STATES DISTRICT JUDGE
12	UNITED STATES DISTRICT JUDGE
13	APPEARANCES:
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1 **PROCEEDINGS** 2 (October 23, 2009) 3 THE DEPUTY CLERK: Everyone rise. 4 **THE COURT:** Be seated, please. Good morning, ladies 5 and gentlemen. Sorry for any inconvenience that we have had in 6 moving courtrooms, but they are beginning to do some work on 7 mine. Judge Berrigan allowed us to use hers. 8 Let's call the case, please. 9 THE DEPUTY CLERK: MDL 1657, In Re: Vioxx. 10 **THE COURT:** Counsel make their appearance for the 11 record. 12 MR. BIRCHFIELD: Good morning, Your Honor. Andy 13 Birchfield on behalf of the plaintiffs steering committee. 14 MR. MARVIN: Good morning, Your Honor. Marvin on behalf of Merck. 15 16 **THE COURT:** We are here today for our monthly status 17 conference. I met with the committees beforehand to discuss 18 the agenda with them. I have the proposed agenda, and I will 19 take them in the order submitted. 20 The Settlement Agreement, anything on that? 21 MR. BIRCHFIELD: Your Honor, the first two items, the 22 Settlement Agreement and the Settlement Program, we have Orran 23 Brown and Lynn Greer here from the claims administrator to give 24 a report.

MS. GREER: Good morning, Your Honor. I'm Lynn

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Greer. Orran Brown and I are here today to make the 22nd claims administrator report to the Court about the claims administrator activity in the Vioxx Settlement Program.

Since we were here last month, a major milestone has been reached in the program. On September 30, we were able to issue, through the work of a lot of people, the final payment instructions to the escrow agent, U.S. Bank, for the distribution of the final payments for the heart attack claims.

We submitted that to U.S. Bank on September 30.

U.S. Bank then took several days to process the payments. As you can imagine, the paperwork and the technology demands of issuing these payments were great, but U.S. Bank on the 7th of October -- so a week later -- put checks in the mail to 293 firms who had requested that they receive payment by check. At the same time, they sent to us directly checks for *pro se* claimants so that we could stuff those in envelopes and submit to the *pro se* claimants explanatory materials about payment.

On the 8th of October, wire transfers were made to 400 firms who had requested payments by wire. So by the end of the day on Thursday, the 8th of October, payments had been issued on schedule and without incident.

Your Honor, some details about this payment:
\$1.7 billion was actually issued to the firms on
behalf of claimants. There was an additional \$700 million,
approximately, withheld for various withholdings such as liens,

the common benefit fees and costs, and attorneys' fees pursuant to PTO 49. So a total of about \$2.4 billion was processed, either paid or withheld, in this payment.

Over 20,000 MI claimants have been paid to date. Some did not receive a final payment because they had been special marker claimants who did not have a final payment forthcoming, but over 20,000 claimants have been paid their MI final payments or their payment. About \$3.1 billion has actually been issued on behalf of heart attack claimants in the program.

Your Honor, the payment went out. There have been questions that have arisen since the payment has been distributed, and this slide is an attempt to show counsel -- and for those listening on the phone, these slides will be available on our Web site this afternoon.

One of the issues that has arisen from attorneys is how to calculate the common benefit fees and costs and attorneys' fees out of the check that they sent to their claimant. A lot of this may be old news because we trust the payments have now gone out, but there is a disbursement schedule on the Court's Web site, as well as our Web site, that guides counsel through the different steps and considerations they need to take when calculating common benefit fees and costs and their attorneys' fees.

We have also set up just for convenience an

e-mail that has a BrownGreer name on it, but it actually is monitored by members of the NPC, and they have responded to questions that attorneys have submitted. That e-mail address is npc@browngreer.com.

The second issue that has created some questions are just the various withholdings on the various liens. You can imagine that this is complicated. The LRA has done a fabulous job being responsive to these questions. We do have a section on our firm's portal, each firm's secure portal, that is an LRA page where firms can go and get very specific, detailed information about liens. The lien resolution administrator also has a call center, and they have been fielding calls and questions. The number here is (877)774-1130.

The third area or question was just on an individual claimant level. There were some questions from the firms based on claimants wanting to know various aspects of their payments. We did submit to the firm on the 6th of October a payment report that showed the firm each of its claimants, the various withholdings, the total amount that would be forthcoming, so that is a resource for the firm.

The other thing that we did was to provide to each firm individual reports by claimant that, if they chose, they could print and send to their claimants that explained the various aspects of their payment.

This is an example, although rather hard to read, of one of those individual claimant's summary reports. Again, the goal was to just create a very generic report, but one that was focused on the plaintiff specifics. You'll see the final award. This is where the claimant was reminded again of the final point value, \$1,865.01 per point, and their point award. This particular example, which is not a live one, 121.49 points, it then walks through for the claimant all of the various withholdings for previous payments that have been made.

The other report that we provided for the firm, if they chose to give it to their claimant, was a very detailed lien report. This was where each of the liens was listed. Resolution categories were provided. The claimant was told whether the lien resolution was complete or whether it was still pending. So these reports are available/were available to firms if they so chose to send them on to their clients.

There's still a few wrap-up issues for MI claims. One very small one, although it is a little over 100 claims, the special marker claimants who elected to go into special review, those claims are now being reviewed by the special master. These were all claims with MI point totals less than 10 points, and we expect payments to be issued on those claims in November. The special master is working hard to review those.

The other thing that we wanted to assure everyone of is that the lien amounts that have been withheld -- that are not complete and they are not final, that still show as pending -- the lien resolution administrator will speak to this, but there are efforts underway every day to resolve the liens.

If they get resolved in an amount lower than what we withheld, those balances will be remitted on a monthly basis. What we will do is, at the end of each month, we will see what liens have been resolved, and we will put those on a payment report and they will be issued the following month. Those payments will come out on the normal monthly payment cycle, which is usually the third week of the month. In October, those balances will actually be remitted on the 30th of October, so a week from today. That is also when the IS payments will be paid this month rather than this week. Because of the MI final payment, we needed to bump that to next week, but those will go out next week.

Your Honor, this is now a historical slide. It does reflect where the different MI injury levels ended up in terms of average points. I will not go through this level by level, but this is across the population the MI claims that reached the level of points award. These are the average points award per claim.

Turning now to the strokes, we have now turned

our attention to the stroke reviews. This slide shows where we are in terms of the gates process. There are no stroke claims currently in the queue for us to pick up and review for the first time.

There are 309 stroke claims that have been found preliminarily ineligible; but when we sent the notice out to the firms, the claimants have been able to submit additional documentation. So those 309 claims are those that we are reviewing, in essence, for a second time with new information.

There have been 7,710 gate claims that have passed for points review. The next, Row 4, A and B, are claims that are right now ineligible. So there are 8,850 where notices of ineligibility have been issued.

It's important to note, though, Your Honor, that these are preliminary denials. These are claims that have not yet gone to the gate committee or they are still within their time where Merck is considering whether to push those. So these are ones that there is a subset of these claims that will ultimately be found payable. It's just that we have found them, under our rigid criteria, to not pass the gates.

There are 725 that are currently with the gate committee for review and for voting. The total IS claims now in the process -- and this number has stayed constant -- is 17,594 stroke claims that are under review.

Through October we will have paid over 3,000

stroke claims. There are another 724 where we have issued the notice of points award, and these are ones that could potentially be payable in November when those payments are made. You will see that 147 of those are definitely to be paid in November. Another 506 could accept between now and the end of this month to be paid in November.

71 are on appeal. We are finding that the appeal rate for the stroke claims is virtually the same as it was for the heart attack claims. Around 15 percent ultimately get appealed to us or then on to the special master.

There are 126 claims where we have finished what we need to do but there is some issue that is holding up the issuance of notice of points award, be it receipt of lien information, some of these are under audit review, but these are claims that we expect will be reviewed and released shortly.

A large number, 2,575, are pending what we call QC. These are ones that have gone through our initial review. This is our focus now. We are going back now and doing our second review so that we can move these along to payment.

973 have been found incomplete for us to be able to finish the points review. This number represents a higher percentage than we found in the heart attack claims. About 22 percent of each claim that we pick up, of the stroke claims that we review, are found incomplete. That's a big number. It

means that, in essence, one out of every four we have to stop and go out to the firm.

THE COURT: That's not a good situation. The attorneys have to focus on that because that's going to really slow up matters. They have to be able to comply with the requirements. To just put this on the back burner is not going to work.

MS. GREER: I think the focus that we now have, Your Honor, and everybody I think needs to have is that we are now reviewing the strokes, we are in the throes of it, and everyone needs to do what it takes to get these claims paid as well.

THE COURT: Let's keep a close eye on that. If it hasn't gotten better by the next meeting, you are going to have to let me know, and I'm going to have to get involved with it. Now, perhaps people are just either exhausted because of the MI claims or they have done a lot of work and they are catching up now. If it's a trend, I'm going to have to get involved in it.

MS. GREER: I think, Your Honor, it may be that in the efforts before the Settlement Program more progress had been made in gathering heart attack records versus strokes, so it may be that it's just naturally lagging behind.

Row 6 and 7 just show stroke claims: 148 where we are reviewing those, doing our initial review, and 31 where we have not yet reviewed the claims for stroke.

These are the average points by injury level for stroke. One thing that I also wanted to mention, because we have heard some questions about it, it appears when you compare this slide to the same slide on the heart attack claims that these points are lower. The reason for that in large part is because the grids were different. There were different grids that governed. The MI grid, for the most part, had higher point totals on it. We don't want to alarm anyone by thinking that the stroke claims are inherently worse claims; it's just that they are governed by different point structures.

This slide shows the dollars that have been paid. It's the same claims, 3,133, that will be paid through October. The total amount that will go out through that date is over \$96 million. Through November, if a lot of these claims accept and get paid, the number that would be paid out on stroke claims would be in excess of \$112 million.

We are now at a point where we can project when the final payments for stroke claims will be. A lot of this depends on completion rates of claim packages, depends on the pace of the reviews, but we are confident that the final payments for stroke claims will be by the end of the first quarter of 2010. We are on pace to do that and do not foresee any problems at this point in reaching that goal.

It is important, though -- and this goes to what we were saying earlier -- for everyone to focus in on the

deadlines that have governed this process from the beginning. I did want to reiterate that there are certain deadlines that apply to each aspect of these reviews. Counsel are very aware of them, but we wanted to reiterate what they are.

When a claim first gets a notice of ineligibility, the claimant has 21 days to respond. If we review the claim for points and we have to stop the review, we issue a notice, and the firm has 14 days to respond. If a notice of points award is issued and the firm wishes to appeal the award, they have to do so within 15 days. They also have to submit whatever additional documentation they need for consideration on the appeal within 15 days. If they have received our notice of postappeal review and they wish to go on to the special master, they have to decide that in five days.

This is one of the things that we learned in the heart attack claims: It's imperative that these deadlines be adhered to. It runs very smoothly. We have tried to tailor these deadlines to reflect what counsel really needs to be able to comply with them and feel like these deadlines are reasonable.

THE COURT: Good.

MS. GREER: These are the consequences for not meeting the deadline. I will not go through these, but basically the message is that if the deadline is not met, the consequence is that the claim keeps going with whatever we have

and goes to completion that way.

know firms have received them and the Court has as well -- questions from claimants who did not get paid, questions from claimants who failed gates and were ultimately denied from the program. We wanted to announce it here but will also issue an e-mail blast. We have drafted a letter, with the help of the parties and the review of the Court, to explain the different levels of due process that were inherent in this program, the different levels of review by us, by the gate committee, by the special master, and we have templets of those letters available on each firm's secure portal.

This is the page where firms can go to if they wish to use this letter with any of their claimants. Number 2 here, this is the main claims page that firms are very familiar with. Number 2 is where firms can go to find copies of the letter. One is a Word templet that if a firm wants to customize the letter to his or her client to talk about what happened in that claim, they may do so. There's also an Adobe pdf that's more of an official letter from us that just outlines the various stages of the process.

So these are tools for counsel to use. They certainly do not have to, but we found it helpful in responding to questions from unrepresented claimants to describe for them the levels of care and detail that each claim has received.

THE COURT: I know we are dealing with about 50,000 or thereabout claims, and not everybody is going to get through the gates. This is a program that is a voluntary program. You don't need to join if you don't wish to join; but if you join it, then you have certain requirements, duties, and responsibilities. People have decided to take advantage of the program, but not everybody gets through all of the gates. The best that the Court can do and the best that the parties can do is to give them some due process. In this particular matter, we have had three levels of due process:

We have the administrative review, which the claims administrator conducts, and they do at least two reviews at the administrator stage to make sure that the Settlement Program is carried out to the letter.

Then, if people proceed further, they can have an attorney review. The attorney review is a body comprised of plaintiff and defendant attorneys who again look at the case.

The final review is a review by judges and excellent lawyers who I have appointed to review this. They are third parties. They are not associated with either plaintiff or defendant. They look at it. That's the best you can do from the standpoint of a claimant.

The claimants write in and they ask about things. Sometimes they can get some assistance from the standpoint of money, but oftentimes they just didn't get through the gates. They need an explanation, kind of a shirtsleeve explanation of why they didn't get through the gates. If you give them that and explain it to them, they may be disappointed, but at least they don't feel like nobody is responding. When I get these letters, I pass them out to the appropriate parties so that they can respond, and then you get involved in it, your office. That's the best, from that standpoint, that we can do.

I think one of the things we have all tried to do and certainly the Court has tried to do in this particular case is give it maximum transparency. I put everything on my Web site. It's accessible to everybody, not just lawyers in the case. They can look at this. They can read transcripts of these hearings. They can know all of the motions that have been filed, all of the briefs, all of the forms. I think that that goes a long way to giving people some confidence that things are proceeding.

This case originated in the MDL in February of 2005. Within three years, with the help of the lawyers, the case was settled. Now, within four years, almost \$4.5 billion has been paid out. I think that's a tribute to all of the people who have worked on the case. You played a big role in it, and I appreciate it.

MS. GREER: Thank you, Your Honor. We have also a dedicated team at BrownGreer in Richmond who have been

dedicated to this, and they deserve a lot of the credit for getting through the claims. Orran is going to speak to other aspects of the final payments and others who helped get us there and also on the Extraordinary Injury Program. Thank you, Your Honor.

THE COURT: Thank you.

MR. BROWN: Good morning, Your Honor. I'm Orran Brown, and I'm happy to be here. What I want to report on today, Your Honor, are a few takeaways from the MI final payment progress that we were able to achieve and then update the Court on where we are on the Extraordinary Injury Program, which is the other segment of the program that is underway right now and we have to finish. First, a few takeaways or thoughts about the final payments:

The parties asked us if we could come up with some examples or illustrations from other multiple-claim facility programs to try to key in on the progress and the efficiency of this program, so we have done this. It's difficult to draw direct comparisons because all the programs and claim facilities, voluntary and coercive class action settlements, all have their different issues, different injuries, different benefit structure, different proof requirements, so it's hard to make apple-to-apple comparisons.

You can get a feel, as to looking to other programs, as to how successful this phase of the program has

been. We put together this slide, which does not identify any of these other programs by name because the goal is not to be critical of any other program. They each have their individual challenges, and a number of these we have worked on ourselves. This shows us some barometer of this program and the success which it has achieved so far because it gives us an idea, by looking at other programs, about how long it took between the time the parties agreed to some settlement and money going out to the claimants, to the beneficiaries of the program, both in an initial payment level and a final payment level.

On this slide we have identified eight different other programs and the number of claims involved in them; some very large, some not as large as this one. The peach color on those cells indicates where some initial money went out. Usually, it's a quick pay. It's a lower-proof option where claimants can submit a simplified form to get a quick pay; it's not a full evaluation. That's what usually happens. In this instance, we were able to achieve interim payments to claimants within the first year after the Settlement Agreement was signed that were based on a full review and another instance in which this program was ahead of the game.

The sort of lavender or purple color shows us when final payments are made in the programs. For most of these, they have yet to occur or happened years after the Settlement Agreement. Here we were able to achieve the final

payment on the heart attack claimant segment of the program within two years from the November 2007 Settlement Agreement.

This is in a program where there are over 30,500 MI claimants who submitted material. The final payments to that group of claimants happened within 11 months of the last date to enroll in the program, October 31, 2008. Those payments went out within nine months of the last time to submit a claims package. The final claims package materials deadline was December 31, 2008.

This is in a program that had several phases, like they all do, from registration, enrollment, submission of materials, our review of those materials, review by the gates committee, appeals to the special master, an audit program to detect fraudulent claims, and then getting to the point of finalizing those claims and getting the money out.

In a program where we have received over 1.4 million separate images -- and each one of those could have hundreds of pages in them. It's millions of pages of documents and 3.7 terabytes of data, which if you tried to transfer it to CDs would be 6,600 CDs. So it's a lots of information, a lot of program, but we are very happy that those final payments went out to claimants on schedule in September and early October.

There are a few takeaways from that about how it happened, how so much was paid to so many in what is relatively

little amount of time, and I want to mention them briefly because there are lessons learned for us for the remainder of this program and for other programs in the future.

The first thing is a tribute to the design of the Settlement Agreement. The lawyers and the parties involved in crafting the Settlement Agreement were aware of a lot of these other programs and had seen pitfalls in those programs that did lead to taking more time or delay, so they devised a Settlement Agreement structure here that avoided a lot of the instances or the prompts for delay in these programs.

I think a couple of key ones there are having a system that is as objective as possible. Making these medical decisions based on contemporaneous medical records rather than after-the-fact created documents was a key to allow our review to go smoothly. It also was designed to have these steps that I mentioned -- from registration, enrollment, submission, review -- not to have to happen in a linear way. It didn't have to follow in that order on every claim. It all happened concurrently, so everything happened within that compressed time period. The design of the Settlement Agreement was really the predicate for making this happen on that kind of schedule.

Another thing, Your Honor, was the diligence of the people involved in this for the parties. Merck and its counsel, the PNC, the lead negotiating claimants counsel, worked with us every day on making this work, giving us

guidance and instructions in what they intended this program to do. The spirit of cooperation that we saw between those two sides of this agreement really lent a lot to making this happen. They were committed to reaching common ground, and that does not happen in every program. Where it does not happen, conflict leads to delay. Here we had none of that.

Going through the rest of the players in this, Your Honor, it's really a tribute to all the players who have made this happen:

The gates committee and the members of the gates committee who reviewed thousands of claims through that process on time and on schedule and allowed them to keep moving in the process;

The three special masters, Special Master

Juneau, Corodemus, and Trotter, who had to learn the program,

learn how to use the portal, reviewed thousands of claims of

three different types of appeals from the gates committee

decisions, from points awards, and the nonsubmitting program

claimants that were out of the program and could appeal to the

special masters.

We had to have answers on all of them for the MI claimants to be able to reach the final payments in a pro rata system, and they did a remarkable job.

We have to mention the primary counsel, the lawyers for all these claimants, who had to round up all this

information, send it into us, get the releases cleaned up to enable us to pay, claims materials, react to elections and notices from us. It took a lot of work by the lawyers involved in this and over 1,100 firms to keep this program moving.

The lien resolution administrator, Mr. Garretson and Mr. Wolf, have done a remarkable job mastering the governmental liens, resolving them in all of the jurisdictions, the private lien program and making it work, and working with us hand in hand to get that data correctly reported to U.S. Bank to get these withholdings and the payments done correctly.

U.S. Bank, the escrow agent, has done a remarkable job, as well, of mastering all of the information we give them. They have really worked hard to make what seemed impossible possible to get this money out to the claimants.

The *pro se* curator. There are a lot of *pro se* claimants that are involved in this process and received these payments. The *pro se* curator has shepherded really well a lot of those people through the program.

Then, of course, Your Honor, the Court's guidance and direction, encouragement, instructions keeping us all on task and making this program work.

All of those factors went into permitting us to reach the lavender payments within two years of the Settlement Agreement and really within nine months of when the claims had

to come in for the MI claimants. We are committed to making the rest of the program just as successful as we have seen in the MI world. Lynn has reported on where we are on the stroke and our projection for final payments on the stroke claimants.

I want to mention briefly the EI world, extraordinary injury claim. We have these two phases of the Settlement Agreement left to finish: The stroke claims and the extraordinary injury claims.

This slide shows us how many extraordinary injury claims we received by the September 1 deadline for submission of claim forms and documentation to support them. It gives them to us by type because there are claims for past lost wages and income, claims for past medical expenses, claims for special medical injury not adequately reflected on the underlying injury grids as the Settlement Agreement describes it. You could submit claims for additional extraordinary damages, which were futures, future lost wages, future medical injuries, medical expenses.

It shows us we have 3,678 total claims. Now, that is 2,605 claimants because you could submit one or more of these types of EI claims, and a lot of folks did. Some presented them all. So it boils down to 2,605 unique people from 211 different law firms.

Now, we are working on these claims now because the first thing we have to do is go through the basic threshold steps to get into the program and be eligible for payments. The first will be that you have to have a recoverable claim on your underlying claim. You have to have a points award. You would have to be a qualified program claimant on your heart attack claim or your stroke claim to be in this program. You have to receive a points award above the special marker level to be in the extraordinary injury program. You have to have sent us the material and the claim form and documents by September 1 to be in the program. The documents and the claim form both were supposed to be to us in our hands by September 1.

We now are reviewing these claims to do this analysis. You have to have the economic loss above \$250,000 or above to be compensable in the program. You have to establish what we call a special medical injury that's extraordinary to be compensated in this program.

We have devised the processing steps to take us through all of this, through our review, and we are going to issue a notice to claimants on their EI claims. We are not going to spend the time going through a lengthy deficiency process. If we are missing documents, we are going to tell claimants and their counsel, "This is what your award appears to be and this is why."

Part of it may be because you didn't send us a tax return. These claims are very complicated because they

have mountains of financial records for us to go through. They get a second review request with us to send us additional information, and that's where we are going to fold the deficiency process into the claims evaluation process.

We will issue a second review after that. If the claimant is still unhappy with that, we have a chance for appeal on a \$700 fee for appeal to Special Master Juneau. We have already worked with Special Master Juneau and his team to be ready for those when they happen. Once the special master rules on it, we will issue a final award if there is an appeal. We are hoping that we won't have a lot of appeals because we think the second review process will straighten out most of the gaps in the proof and the evaluation issues.

We are going to use the Vioxx portal for primary counsel in this program just as we have done throughout. They will be able to see information and status on their EI claims on the portal. All of this will be out in about two weeks time and live. We will announce that to the claimants and their counsel. They will be able to search and determine their statuses just as they have done throughout the program on the MI and stroke claims.

We are reviewing these claims right now. We have been since they came in. They started coming in over the summer. We are going to issue our notices of our evaluations on a rolling basis as we get through them. We are not going to

wait until the end. Our projection right now is that we will be able to go through those claims, all those processing steps, and issue final EI payments in June of 2010, the second quarter. If all the stars get aligned, we may can do it sooner than that, depending on how many second reviews we get, but our goal is to have final payments out by June 2010 on the extraordinary injury claims. That's all I have, Your Honor, unless you have any questions.

THE COURT: Thank you very much. As I mentioned to Lynn, I really appreciate all of the work that you have done on this.

MR. BROWN: Thank you, Your Honor.

THE COURT: It's worked well because of your experience, diligence, and good work. I appreciate it.

MR. BROWN: Thank you very much. We are delighted to be involved in it.

MR. BIRCHFIELD: Your Honor, the next item on the agenda is the lien resolution administrator. We have Matt Garretson with the Garretson Firm to give a report.

MR. GARRETSON: Good morning, Your Honor.

Appreciating the timing of the myocardial infarction and sudden cardiac death cases that are now being processed as the claims administrator has explained this morning, I'm going to just focus this report on those claims.

I would also like to reinforce, as we did last

hearing, that we have continued to work with BrownGreer to make sure that primary counsel has access to their clients' lien obligations available on the Web portal. I would encourage counsel to continue to check that at least twice a week. We have new functionality, as Lynn explained, on the Web portal that allows primary counsel to actually now export to an Excel spreadsheet all of their client lien obligations.

Let me first speak this morning about the governmental liens. I will then turn my attention to the private lien resolution program.

With respect to Medicare, we have now completed Medicare resolution for 97.6 percent of all the active cases. There are 328 cases with unfinalized Medicare obligations. Those are largely the cases that have yet to be through the redetermination process or cases that have Social Security number changes that we are in the process of reverifying.

With respect to Medicaid, we have finalized 94.8 percent of the Medicaid obligations. The unfinalized Medicaid obligations are due to the fact that those are obligations that have hit the cap that is in place, and now they are working with the states on finalizing cases that have hit that cap or there are a variety of cases in that mix that also have Social Security number issues. We continue to work with primary counsel and the claims administrator to rectify those.

with respect to other governmental obligations such as military plans, we have 432 other governmental lien obligations that remain outstanding. This is a major focus of our attention right now. We have been having considerable trouble getting the claims histories from these military agencies. As I mentioned before, it's because those agencies actually have to go out to well over 100 facilities that treat our veterans and active military personnel to get their claims histories. We have made great strides, but it's still a big issue that I wanted to bring to the Court's attention.

With respect to the private lien program, we have 477 private health-care plans that have agreed to participate in the program according to its terms and conditions. I believe that that probably covers 80 to 85 percent of the active lives in America would be represented -- insured lives in America would be represented by these plans from what I'm told.

As of today, 21,418 claimants have signed acceptance forms in order to participate in the private lien resolution program. These claimants can be segregated into two categories. The first category are those who signed the acceptance forms prior to June 19, 2009. That's Category 1, and there's approximately 20,000 claimants in that first category. Category 2 are those claimants who signed acceptance forms as a result of this Court's first extension of the

enrollment period or on account of PTO 48 or most recently PTO 54.

I'm going to first speak about the time line associated with those claimants in the first category. As Lynn mentioned, on September 29 we released holdbacks for the Category 1 claimants who were not matched by any of the 477 plans. Those have been released and have largely all been swept in the October or November cycle for payment.

On October 2 we submitted to BrownGreer maximum holdbacks for participating claimants that had a match to one of the participating plans. These holdbacks for Category 1 claimants are being reduced now in one of the two following ways:

First, if there was no valid lien data or claims produced/submitted to us by October 14, we will have released already or will release within the next week the holdback for those claimants. Those are those Category 1, had a match of a participating plan, but the plans failed to produce any injury-related claims data.

For those Category 1 claimants for whom a lien was asserted, the holdback will be reduced to the lesser of the cap, which is 15 percent or 50 percent of the total amount asserted by the participating plans. That 50 percent number is because, under the terms of this program, the claimants will ultimately have a cap of 15 percent or 50 percent of the

audited lien value. For now, because the liens are in the process of being audited, we have been able to at least cap it at 50 percent of the inbound claim value.

If a holdback or lien value is reduced by either of these scenarios, the funds will be available for disbursement in the November monthly payments. For many of the primary counsel who have seen these holdbacks on these claimants, many of them who signed up had their Medicaid obligation, and then stacked on top of that was a private health-care insurance 15 percent obligation. So we are working very hard for those claimants who either have no match or a de minimis payment inbound lien to really ratchet down that holdback so there's some relief in the November payment cycle.

It is also important to note that this amount held back now for all these claimants who have been matched, who have valid inbound claims -- that this holdback that we have worked through over the last week with the claims administrator will now be potentially reduced, as we go through the audit procedure, to ensure that only injury-related care is subject to the lien. We will finalize these audits on a rolling basis and are in the process of doing that.

To date we have audited approximately 8,600 private lien files out of approximately 9,100 submitted as of October 14. I think it's important to point out not all of those have been sent to the plans for their consideration yet,

but we are in the process of returning these summaries to the respective plans for their approval of our audit.

I should bring to the Court's attention here that we have an issue with many of the plans with how preexisting conditions impact the audit process. I also want to say that the issue is a very significant one. However, we are actively and I believe constructively working with the parties through these actual claims. We are certainly not at an impasse, but this is a very important point to bring to the Court's attention.

As we work through that issue with the plans that have brought the preexisting injury issue to our attention, the finalized liens will be posted to each primary counsel's Web portal. Again, I would encourage counsel to check the Web portal at least twice weekly for updated lien amounts as we will be finalizing these audits on a rolling basis.

THE COURT: I would like to move on that. So if there is a way that a claim can be filed for immediate payment and it's representative of the issues of whether and how much, if any, prior conditions play a part in this lien process, it needs to be brought to me so that I can deal with it immediately. I don't think that issue ought to be tabled. I'm ready to move on it.

This case involved Vioxx. This case involves

taking Vioxx and the allegations resulting from the taking of Vioxx. It's not any other medication. Nobody else contributed but Merck, and the only reason they contributed is with regard to Vioxx and the problems alleged that Vioxx caused. Give me something and I can focus on that immediately.

MR. GARRETSON: Yes, Your Honor. Your Honor, I would also let the Court and primary counsel know that the time lines I have just articulated were e-mailed to primary counsel on our behalf, I believe, in the last 24 hours by BrownGreer.

Your Honor, let me speak briefly about the time line for the second category of claimants. Those are the claimants who enrolled after the extension or on account of PTO 48 or PTO 54.

As of today we have received 154 signed certifications from the primary counsel identified on the exhibit to PTO 54. Your Honor, we would like the agreement of the parties that the final deadline for all claimants to submit acceptance forms in response to PTO 54 should be set at November 16, 2009. That time line for us is not an arbitrary one, but that would allow us to get as much done by year-end as possible on this universe of the claimants who signed up later in the program.

Further, we would like the Court to acknowledge that it is assumed under PTO 54 that if a firm has mailed acceptance forms to their clients and a three-week time period

has transpired, that that is acceptable as a reasonable amount of time for counsel to have sent these materials to their clients and for their clients to have responded.

THE COURT: I think that is reasonable and that's the appropriate period.

MR. GARRETSON: Thank you. We can report on this at the next hearing, but we would like to go out to the plans with this next wave of claimants who sign up and request that all of their claims data be provided to us by December 18, 2009, so we have a fighting chance to complete all the audits by the end of the year for this later category of claimants.

THE COURT: That's fine.

MR. GARRETSON: Your Honor, there's two more administrative matters I would like to draw the Court's attention to. The first is a Medicaid-related topic, special needs trusts. Because of our role that touches Medicaid, we are brought in, as I have mentioned to the Court before, to request to assist with the process of establishing a special needs trust to preserve Medicaid eligibility.

We have defined a proposal and a protocol that we have brought to the Court's consideration and to the consideration of the defendants and the PSC. It is just a process that we have refined in our experience in other MDL settlement programs. Basically, we submitted a proposal for a procedure that we, in our capacity as the lien resolution

administrator, would file a petition for claimants who desired to have these trusts established.

So, for instance, as the disability lawyers who are working with these claimants throughout the country address this issue, that we would on behalf of the Court -- to ensure that the Court is not bogged down with these issues, that we'll review those documents and sign a petition that attests to the fact they would meet the state and federal requirements.

I believe that probably the most effective thing to do would be as that procedure is worked out -- and I can work with Jared in the coming weeks or the coming days -- perhaps that could be posted on the Court's Web site.

THE COURT: Yes, I will do that.

MR. GARRETSON: Your Honor, the last item is probate and bankruptcy issues that I wanted to point out. This morning, after the motion and order had been reviewed by the defendants and the PSC, we have submitted to the Court a motion and order that will establish procedures to help us address liens related to claimants with probate or bankruptcy issues. This order establishes the fact that the assets that have been held back at BrownGreer, the claims administrator, to satisfy the state, federal, and other governmental lien obligations — and the private lien obligations, for that matter — should be held back and are not intended to be part of the probate or bankruptcy estates of the claimants.

1 In this matter we can ensure the orderly flow of 2 the settlement proceeds both to the probate estates, the 3 bankruptcy estates, as well as to the state and federal 4 governments who have participated in this program. As the 5 Court is well aware, our commitment to them is to send one 6 check, not 30,000 checks. Unless we have this procedure in place, the program cannot meet that objective. 7 8 So in conclusion, Your Honor, that is the report 9 of the lien resolution administrator. If there's any 10 questions, I'm certainly happy to take them. 11 THE COURT: Last time you mentioned that you were

THE COURT: Last time you mentioned that you were having some problem with Kentucky. Has that worked itself out?

MR. GARRETTSON: Your Honor, I'm very pleased to report everything is well in order with Kentucky at this time.

THE COURT: The Court should express appreciation to Governor Beshear as well as Attorney General Conway from the great state of Kentucky. I know that they looked after their people and they did it well. I appreciate it.

MR. GARRETTSON: Yes, Your Honor. Thank you.

MR. BIRCHFIELD: Your Honor, in regard to the open issue about the audit process and the lien, I plan to file on behalf of a claimant a motion on Monday to bring that issue before the Court.

THE COURT: Good.

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MR. BIRCHFIELD: The next item on the agenda is the

special master and deputy special masters. We have Mike Juneau here to give a report.

MR. JUNEAU: Good morning, Your Honor. Michael Juneau standing in for Special Master Juneau.

In terms of the work of the special masters, the review of the heart attack claims was completed in such a way so that the heart attack final payments were able to be made. So that occupied a good bit of the special masters' time since this last conference.

Special Master Juneau is also in the process of reviewing the special marker claims for the heart attacks, those that fell under the 10-point level and elected not to receive the fixed payments, so those claims are now before the special master. Those would be expected to be resolved by the middle part of November so that payments could be made on those as well.

The special masters are in the process of reviewing stroke claims as they come in. The appeals have not been at the level that they are expected to be in the future, but as they come in the special masters continue to review those.

In terms of the extraordinary injury claims that we already spoke about, the special master has received training on that, learned that program, so that as the extraordinary injury assessments are made and to the extent

1 people elect to appeal those, the special master will be prepared to do reviews of those as they come in as well. 2 3 THE COURT: Thanks very much. The special master played a very important role in this litigation, and I 4 5 appreciate his work. Thank you. 6 State court trial settings, anything on that? 7 MR. MARVIN: No, Your Honor. There are no cases set 8 for trial in state courts. 9 **THE COURT:** Class actions, anything on that? 10 MR. MARVIN: There's no change there, Your Honor. 11 think we are ready now for Ms. Barrios. 12 THE COURT: State/federal coordination. 13 MS. BARRIOS: Good morning, Your Honor. Dawn Barrios 14 for the state liaison committee. Through the most current 15 conditional transfer order, which I believe is 158, there are 16 no additional remands. We are not going to repaper everything 17 for that. We are going to work with BrownGreer and with Ms. Dorothy Wimberly to try to clear out some of the other 18 19 claimants who were on that recent motion to dismiss that you 20 signed, and we should have that for you next status conference. 21 **THE COURT:** Good. Thank you very much. 22 Anything on pro se? 23 MR. BIRCHFIELD: Yes, Your Honor. We have an 24 attorney from Bob Johnston's office to give a report.

MS. REZNIK: Good morning, Your Honor. Heather

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Reznik for Bob Johnston, pro se curator.

Our office continues to receive many calls from pro se claimants. The majority of these calls are regarding the final MI payments, including inquiries about the holdbacks for the common fees and the lien holdback. We also receive inquiries as to when the IS claims will be completed and when payment can be expected. We also continue to receive a limited number of calls regarding the completion of the IS claims packages and wrapping up of the final submissions of the IS claims. We will continue to receive these pro se calls as best we can. Thank you.

THE COURT: We have tried to give the *pro se* people some information, access to an attorney, and I think that's been an important part of this program.

MDL trial package, anything on that?

MR. BIRCHFIELD: Nothing new, Your Honor.

THE COURT: What about third-party payor cases?

MR. MARVIN: Your Honor, as we mentioned at the last status conference, the parties have negotiated a settlement agreement with respect to the third-party payor actions. A settlement has been reached and the papers have been signed.

THE COURT: That leaves the governmental actions.

Anything to report on that?

MR. DAVIS: Your Honor, the AG matters are going forward. As you know, the Louisiana case is set for trial on

1 April 12, 2010. On September 30, the Court issued Pretrial 2 Order 53. The parties are moving forward, moving ahead with 3 discovery, and the matter is proceeding. Mr. Dugan is here if 4 there is anything to add. 5 THE COURT: Jim, anything more? That's accurate, Your Honor. 6 MR. DUGAN: 7 **THE COURT:** Thank you very much. 8 Discovery issues? Any other issues connected 9 with third-party payor or government issues? 10 MR. DAVIS: No, Your Honor. There's nothing. 11 THE COURT: What about pending personal injury cases 12 in which *Lone Pine* expert reports have been served? 13 MR. MARVIN: Yes, Your Honor. There's nothing 14 further to report other than what's set forth in the joint 15 status report. 16 **THE COURT:** Anything on the fee allocation committee? 17 MR. BIRCHFIELD: Yes. Your Honor, the third-party payor motions, which was the next item, that's already been 18 19 covered by Matt Garretson. 20 Your Honor, the common benefit costs that were 21 awarded under Pretrial Order 51, that order has become final 22 and those costs will be disbursed on Monday, October 26. 23 Since the last status conference, the Court 24 entered Pretrial Orders 49 and 50 that addresses the amount of 25

fees to be held back for common benefit or the 32 percent

depending on the action of the attorneys in regards to a certification. A writ of mandamus was filed on that issue, and the Fifth Circuit has invited responses on or before October 27.

THE COURT: With respect to the costs, let me mention that that's always a difficult issue to handle. I think the way that we tried to do it in this particular case is helpful in that the first thing we did was to appoint a CPA and then set down some guidelines. It's more complicated when you then fold in the state courts in cases because they have not been the subject of the guidelines. I'm trying to do something differently in the *Chinese Drywall* case that I'm handling now, but in *Vioxx* we couldn't do that.

In any event, the guidelines as set out, and certain documents are required to be filed with the CPA. That was done. Then when it gets time to look at the costs, all of that material is pulled together, and some of it doesn't satisfy the guidelines. So the CPA has to step in and say, "This is not a coverable cost."

In this particular case, we also created a committee to meet with all of the individuals who put in costs, if necessary to take evidence, if necessary to get more material, and the cost will refine down to costs that came into the guidelines and satisfied the requirements of the guidelines. I looked them over very carefully. Some of it was

disputed. I resolved those disputes, and then the costs were able to be paid out.

The point that I make is that the costs were just not that a lawyer would say, "This is how much I spent. Give it back to me." It was a lot more involved than that. I think that the costs were whittled down to a satisfactory amount.

MR. BIRCHFIELD: In working through that process, the lawyers were very cooperative in providing answers to questions, providing documentation, and that cooperation is much appreciated.

Also, since the last status conference, the Court has appointed Michael Stratton to serve as liaison counsel to the objectors to the 8 percent and Russ Herman as liaison for the plaintiffs' committee. There have been some meet-and-confers in that regard, and the parties will get together once Russ returns.

THE COURT: My thinking on that is that some discovery or whatever is required needs to be done, and then I will key up a hearing and deal with it in that fashion. I'll give everybody an opportunity to express themselves, to write whatever briefs they need to write, and then when the issue is sharpened a bit I will deal with it.

MR. BIRCHFIELD: The next item on the agenda,
Your Honor, is a motion for reconsideration or revision of the

order capping contingency fees. The Court has entered an order on that motion, and there's nothing new to report.

THE COURT: That's on appeal, too, isn't it?

MR. BIRCHFIELD: Yes.

THE COURT: Other motions?

MR. MARVIN: Your Honor, I think we are now up to page 15, Item XVII, Merck's motions. Merck has filed motions under PTO 28 and 29 and 43. Those are set to be heard on October 29.

THE COURT: Any other motions that we have? Anything on appeals?

MR. MARVIN: No, Your Honor.

THE COURT: Motion for attorneys' fees, anything on that? I think we talked about that. The next meeting is Thursday, December 3.

Let me mention that I read articles about mass torts and generally they are not favorable. Generally, the concept is that this type litigation is a black hole, that it's only for the benefit of the attorneys on either side, that they keep churning matters, it goes on forever and eventually, if it is resolved, the attorneys get paid very handsomely and the claimants get a coupon or some kind of gold star, something of that sort. You read all about that.

It's unfortunate that, in a case that has been handled well, you're probably not going to get any press.

That's just the way it works. Orran talked about the short period of time between the time of the settlement and the time of the pay-out, nine months, less than a year, but the whole case worked that way.

The case was brought to the Court in 2005, and within nine months the trials started. Unfortunately, we had to try the first case in Houston because Hurricane Katrina "dissented" and we had to move, but the case went on. We tried six in the federal courts and 10 or 12 in the state courts. We had almost 20 cases or thereabouts within a couple years. The case was settled within three years of its filing, and then payouts were made within four years.

I think it's a tribute to the people who worked on the case. The good thing about this from the standpoint of the Court's vantage point is these type cases generally have the best lawyers on both sides. The best lawyers in the country handle these cases because of their complexity, because of their interests, because of the economics involved, and it was true in this case. Because of their efforts and hard work, the case was able to be resolved in a very short time as time goes.

In fact, some separate individual cases are not really resolved within four years. They go on forever. For 50,000 claims to get resolved from the time suit was filed until pay-out, four years is really a tribute to all of you in

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1	the audience and all of you who have participated in this case.
2	You need to know that the Court is mindful of that and
3	appreciates and recognizes all of the work you have put in.
4	I'll see you at the next conference. Thank you very much. The
5	Court will stand in recess.
6	THE DEPUTY CLERK: Everyone rise.
7	* * *
8	<u>CERTIFICATE</u>
9	I, Toni Doyle Tusa, CCR, FCRR, Official Court
10	Reporter for the United States District Court, Eastern District
11	of Louisiana, do hereby certify that the foregoing is a true
12	and correct transcript, to the best of my ability and
13	understanding, from the record of the proceedings in the
14	above-entitled and numbered matter.
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16	
17	<u>s/ Toni Doyle Tusa</u> Toni Doyle Tusa, CCR, FCRR
18	Official Court Reporter
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