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Billions at Stake in Opioid Suits, But It's No Tobacco Windfall.

- **Compensation won't match 1998 tobacco settlement: Fitch**
- **Oklahoma seeking at least $10 billion in damages from J&J**

An Oklahoma case, the first of more than 1,600 lawsuits filed by U.S. state and local governments against opioid makers to go to trial, could serve as a key benchmark for governments hoping to recoup costs associated with the public health crisis.

However, verdicts and legal settlements resulting from the litigation are likely to be smaller than the 1998 global settlement with tobacco companies and won't significantly affect government budgets, according to Fitch Ratings.

The tobacco settlement with 46 states compensated them with more than $200 billion for decades of tobacco-related health-care costs, but wasn't enough to alter state and local government credit quality, according to Fitch. The opioid epidemic has taken place over a shorter time span, and hasn't resulted in as many deaths, according to Marcy Block, a Fitch analyst.

"It's severe, but it's less if you think about the amount of deaths through tobacco usage," Block said.

Ten Times

More than 47,000 Americans died from opioid overdoses in 2017, including heroin and fentanyl, a synthetic opioid, according to the National Institute on Drug Abuse. Cigarette smoking is responsible for ten times as many deaths annually, according to the Centers for Disease Control and Prevention.

Oklahoma sued Johnson & Johnson, Purdue Pharma LP and Teva Pharmaceutical Industries Ltd. in 2017, alleging the companies deceived the public by overstating the benefits of their drugs while downplaying the risk of addiction. Teva in May agreed to pay $85 million to resolve the suit. Purdue Pharma, the maker of OxyContin, agreed in March to pay $270 million.

Read more about how opioid makers are getting squeezed as cities try to form a negotiating group

The opioid litigation could cost the pharmaceutical industry between $5 billion and $50 billion, based on the 1998 tobacco deal and costs of the abuse epidemic, according to Bloomberg Intelligence analyst Holly Froum. Oklahoma is seeking at least $10 billion in damages and penalties for current and future outlays from Johnson & Johnson.

"The depth of evidence against the opioid manufacturers, including any potential evidence of fraudulent marketing, will be a key determinant not only of how this case is decided, but the thousands of additional cases against the industry, " wrote Rachel Barkley, a senior vice president at Loop Capital Markets earlier this month.

"Additionally, the size of any settlement would likely serve as a benchmark in future cases," she said.

Securtitized Proceeds

States and local governments issued tens of billions of dollars in muni bonds backed by the tobacco settlement and some used that money to plug budget gaps. The securities are repaid with the money they receive each year from cigarette companies under the settlement. The amount of the payments is based on annual cigarette shipments. There are currently $85 billion of tobacco bonds outstanding, including debt issued to refinance previously issued securities.

At least 42 states and more than 1,900 municipalities have sued opioid manufactures and distributors, blaming them for creating a national public-health crisis and demanding billions of dollars in damages.

A U.S. federal judge in Cleveland is overseeing opioid litigation brought by U.S. cities and counties and has set two trials for October. The scope of the litigation could result in a global settlement that mimics the resolution to the tobacco cases in the 1990s.

The CDC estimates that the total “economic burden” of prescription opioid misuse alone in the U.S. is $78.5 billion a year, including the costs of health care, lost productivity, addiction treatment and criminal justice involvement.

Factoring the economic value of lives lost, the White House’s Council of Economic Advisers estimated the costs of the epidemic in 2015 totaled $504 billion.

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