

Q1 2010 Questcor Pharmaceuticals, Inc. Earnings Conference Call - Final

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OPERATOR: Good afternoon, ladies and gentlemen, thank you for standing by and welcome to the **Questcor** first quarter 2010 financial results conference call. (Operator instructions) And as a reminder, this conference is being recorded today, April 29, 2010. At this time I would now like to turn the conference over to Barbara Domingo with the EVC Group. Please go ahead.

BARBARA DOMINGO, INVESTOR RELATIONS, EVC GROUP INVESTORS: Thank you, Craig, and good afternoon, everyone. Thank you for joining us today on the **Questcor** Pharmaceuticals first quarter 2010 earnings conference call.

This afternoon at market close **Questcor** issued its first quarter earnings release. The release is posted on the Company's website at www.questcor.com. In addition, we have arranged for a taped replay after this call, which will be available approximately one hour after the call's conclusion and will remain available for seven days. The operator will provide the replay instructions at the end of the call. The call is being broadcast live and an archived replay will also be available. To access the webcast, go to **Questcor's** website at www.questcor.com.

Before we get started I'd like to remind you that during the course of this conference call the Company will make projections and forward looking statements regarding future events. We encourage you to review the Company's past and future filings with the SEC, including, without limitation, the Company's Forms 10-K and 10-Qs, which identify the specific factors that may cause actual results or events to differ materially from those described in these forward looking statements.

With that let me turn the call over to Don Bailey, President and Chief Executive Officer of **Questcor** Pharmaceuticals. Don?

DON BAILEY, PRESIDENT AND CEO, **QUESTCOR** PHARMACEUTICALS, INC.: Thank you, Barbara, and good afternoon.

With me today are Steve Cartt, Executive Vice President and Chief Business Officer; Dave Medeiros, Senior Vice President of Pharmaceutical Operations; Dr. Jason Zielonka, Senior Vice President and Chief Medical Officer; Gary Sawka, Senior Vice President of Finance and Chief Financial Officer; and Eldon Mayer, Vice President of Commercial Operations.

This afternoon we will review **Questcor's** highlights for the first quarter of 2010, as well as discuss recent developments. Steve will then review key business trends, Gary will cover our financial highlights for the first quarter of 2010 and then we'll open the call for your questions.

We are off to a good start in 2010. In the first quarter, MS sales were up almost 200% year-over-year and 9.0% sequentially and we believe that in the first quarter net sales of **Acthar** for the treatment of MS now exceed **Acthar** net sales for the treatment of infantile spasms. As those of you who have followed us are aware, infantile spasms have historically been the primary therapeutic use for **Acthar**.

For MS sales, the quarter finished on a strong note. March was easily our best MS sales month since embarking on our MS promotion program. While this is good news, the better news is that April's MS sales are even a little stronger than the record sales in March.

Sales of **Acthar** to treat IS continue to run within its historic range. We continue to believe that Sabril, also known as Vigabatrin, is not significantly impacting **Acthar** usage in treating IS.

Turning to nephrotic syndrome, on our last call in early March, we noted the emergence of a modest number of spontaneous prescriptions for **Acthar** for the treatment of nephrotic syndrome, or NS. This trend continued in the first quarter as we filled 11 new paid **Acthar** prescriptions for nephrotic syndrome. As a reminder, by "spontaneous" I mean that the prescriptions were not the result of any promotional effort by **Questcor**.

The treatments for NS and infantile spasms use a relatively short course of **Acthar** therapy, usually a week to a month. But for nephrotic syndrome, ACTH is often given for four to six months. Therefore, more **Acthar** is needed to treat nephrotic syndrome and other conditions. Also, that means the nephrotic syndrome prescriptions filled in one quarter will continue to generate sales in subsequent quarters. For example, in the first quarter we noted refills during Q1 for nephrotic syndrome resulting from new prescriptions that were initially filled during the fourth quarter of 2009.

At the beginning of the second quarter, we launched a pilot education program targeting 60 nephrologists in the U.S. This is only about 1.0% of nephrologists in this country, but it should allow us to gain insight into the issues we will face in building a successful selling effort in this therapeutic area. I'll characterize the feedback from the first four weeks of this as encouraging. Steve will provide you with more color on this effort in a few moments.

Since more people have nephrotic syndrome than refractory MS exacerbations or than people who have IS and significantly more vials of **Acthar** are needed to treat each nephrotic syndrome patient, **Questcor's** shareholder value would likely be positively impacted if the use of **Acthar** to treat nephrotic syndrome gains traction. One key to success in this new area may be the publication of supportive data discussing the use of **Acthar** in treating nephrotic syndrome.

Our other major focus right now is preparing for the May 6th FDA Advisory Committee meeting where a panel of experts will discuss the possible approval of **Acthar** for the treatment of infantile spasms.

Let me briefly review our current plan on how we will communicate with investors regarding the results of the Committee's recommendations. The meeting is likely to end late in the day on May 6th. Upon its conclusions, we intend to issue an 8-K as soon as practically possible but certainly prior to the stock market opening on May 7th. The 8-K will provide the results of the panel meeting.

30 p.m. Eastern to provide everyone with an opportunity to ask any questions you have about the meeting, the panel's vote, and next steps.

Please bear in mind that the purpose of the Advisory Committee meeting is for a panel of experts to make a recommendation to the FDA about the possible approval of **Acthar** for the treatment of infantile spasms. The FDA will not be rendering final judgment at this meeting. The PDUFA goal date for **Acthar** is June 11th and this is the date that the FDA has set as a target date for making a decision.

Now I would like to turn the call over to Steve Cartt who will discuss our commercial operations in more depth. Steve?

STEVE CARTT, EVP AND CHIEF BUSINESS OFFICER, **QUESTCOR** PHARMACEUTICALS, INC.:
Thanks, Don, and good afternoon everyone.

Before I talk about our very encouraging commercial progress, I know that some of you are interested in finding out how some of the recent government changes, most notably the Patient Protection and Affordable Care Act that became law with the President's signature last month, might impact our business. So I'll provide some commentary on this and then focus on the good stuff, our encouraging progress in the MS market, our initial efforts in the nephrotic syndrome market and our progress on the IS front.

Like other biotech and pharma companies, we recently had a number of complex factors to work through related to government healthcare reform and government reimbursement. Due to the recently passed healthcare reform bill, as well as changes to some of our government contracts, there'll be both positive and negative impacts to our business in 2010.

The positives include a clause in the new healthcare reform bill which caps the Medicaid rebate at 100% of average manufacture price, or AMP. Many of you will remember that we have been rebating Medicaid at 110% of AMP, so this change lowers our per-vial rebate to Medicaid.

The new bill also establishes national high risk pools to provide health insurance to individuals with preexisting conditions, as well as restrictions on insurance companies' ability to set annual and lifetime insurance caps. This is a positive for us and may be increasingly important as we move into the nephrology market where patients are using a much higher number of vials and the revenues we would derive per prescription is much larger than in MS or IS.

Also on the positive side is the new, better pricing we've established with Tricare and the VA. There are a number of other clauses in the new healthcare reform bill that will be neutral for **Questcor**, so I won't comment on them here.

On the negative side is the extension of Medicaid rebates to include Medicaid managed care patients; this, of course, affects most biotech and pharma companies. The effective date for these new rebates to take affect was March 23rd, so it had a small impact on Q1 and will have more of an impact beginning in Q2.

So, in summary, this is a very longwinded way of saying that if you consider all the government changes together, there is roughly no overall net impact neither positively or negatively on our business this year.

Let's move on to the good stuff. As Don noted, in the first quarter we experienced a nearly 200% year-over-year increase in the number of new **Acthar** prescriptions paid and shipped for the treatment of MS exacerbations or relapses.

We're continuing to educate neurologists on the benefit of **Acthar** in MS relapse patients through our 38-person sales force and are solidly positioning **Acthar** for those patients who are not well served by IV steroids. This positioning continues to be well received and is being adopted into practice by a growing number of neurologists. We continue to make good, steady progress in the MS market and set yet another quarterly record for new prescriptions shipped in Q1.

I'd like to point out that during the quarter the month of March broke the previous record for us in terms of new MS prescriptions paid and shipped in a single month by a significant margin. But this new record didn't last long because, as Don noted, it's already been broken by an even stronger shipment level in April.

Needless to say, we're very encouraged by this kind of growth trajectory and by the solid results being generated by our sales force and marketing team. As a result, net sales in the MS market have now passed IS sales for the first time. We're very encouraged by these results, but we know that we still have a lot of work to do to fully capitalize on **Acthar's** true potential in the treatment of MS relapses.

We estimate that, despite these gains, **Acthar** is still only used in less than 10% of a very select niche we are currently targeting in the MS relapse market and **Acthar** is still only being prescribed by about 300, out of a total of around 2,500 neurologists, who actively treat MS patients. So we certainly have a lot of room to grow from here.

Shifting to nephrology, as Don mentioned, we shipped 11 prescriptions for nephrotic syndrome in the first quarter. For those of you new to our Company, let me take a few moments to review why we are growing increasingly excited about **Acthar's** potential in this new therapeutic area.

Nephrotic syndrome is a serious kidney disorder that often results in endstage renal disease or kidney failure. It is characterized by excessive loss of protein in the urine, which occurs as kidney function deteriorates. This excessive loss of protein in the urine is known as "proteinuria". Because there are few treatment options, many people suffering from this potentially life threatening condition end up on dialysis or with a kidney transplant.

Our preliminary estimates indicate that nephrotic syndrome may affect as many as 50,000 people in the United States. It is important to keep in mind that nephrotic syndrome is already an FDA-approved on-label indication for **Acthar**. Specifically, **Acthar** is indicated to induce a diuresis or remission of proteinuria in the nephrotic syndrome without uremia of the idiopathic type or that due to lupus erythematosus. We're encouraged by the positive early feedback provided to us by the physicians who are already prescribing **Acthar** to treat these patients.

Interestingly, a number of highly refractory patients have been started on **Acthar** treatment. These are patients who have failed multiple other treatments to try to manage their worsening kidney disease and their doctors have decided to now try them on **Acthar**. In many cases, even these patients who are quite advanced in their disease and have not responded to other treatment are responding to **Acthar**.

As we reviewed with you in early March, we believe that the market for **Acthar** in nephrotic syndrome could be quite large, much larger than **Acthar's** potential in MS and IS combined. The average prescription size in nephrotic patients so far has been eight-to-ten vials used for a course of treatment lasting up to six months or more. This represents about double the value of the average IS prescription for **Acthar** and four-to-five times the value of the average MS prescription and this is in what appears to be a much larger patient population than either of these other markets.

Given the significant revenue potential, around \$200,000 for each **Acthar** prescription in nephrotic syndrome and the relatively large number of patients, we believe that **Acthar** could have true **blockbuster** potential in nephrology. Of critical importance, since we are already on-label for this condition and there are no other approved treatments, we are currently experiencing very good insurance coverage for **Acthar** in nephrotic syndrome, with about 90% of patients being covered.

As Don mentioned, we very recently implemented a pilot selling effort targeting a small sampling of about 60

nephrologists in the U.S. This program closely mirrors the test effort we initiated in early 2008 in the MS market. Specifically, we have asked five of our top sales reps to spend the equivalent of one day a week calling on nephrologists to begin promoting **Acthar** for the treatment of nephrotic syndrome.

Our learnings over the next few months from this pilot effort will be used to assess our immediate potential in this market and, coupled with the possibility of having new clinical data available in coming months, may result in an expanded nephrology sales effort late this year.

Now, turning to IS, during the first quarter a total of 137 prescriptions were filled, which is in the historical range seen during the last two years. As you can see in the table in today's press release, 89 of these prescriptions were paid and the remaining were eligible for full rebate.

After the upcoming FDA Advisory Committee meeting on May 6th, our next milestone in the FDA review process for a potential **Acthar** indication in IS is the June 11th PDUFA date. However, it's very important to keep in mind that there is never any assurance that the target PDUFA date will be met, although of course we're hoping this will be the case.

FDA approval would allow **Questcor**, for the first time, to be able to actively market **Acthar** for the treatment of infantile spasms. We can then also broaden our public education efforts regarding the importance of early diagnosis and effective treatment of IS with **Acthar**.

Also worth noting is that we are now a full eight months along since the September 2009 introduction of Vigabatrin and as Don noted, we are still seeing little to no impact on the use of **Acthar**. I'll also point out that insurance coverage for **Acthar** remains very strong in IS as well as our other key therapeutic areas and we are seeing no changes in coverage.

So let me summarize by saying that our commercial effort is really firing on all cylinders. The MS business is growing very nicely. We are now testing an exciting new on-label market in nephrology and we look forward to hopefully launching a new indication in infantile spasms later this year.

So let me now turn the call over to Gary Sawka, our CFO, to review the financial highlights for the quarter. Gary?

GARY SAWKA, SVP OF FINANCE AND CFO, **QUESTCOR** PHARMACEUTICALS, INC.: Thanks, Steve.

Net income applicable to common shareholders for the fourth quarter was \$7.9 million, or \$0.12 per diluted common share. Our gross income for the first quarter was 92% and within our historical range.

As of April 23, 2010 **Questcor's** cash, cash equivalents, and short-term investments totaled approximate \$80 million.

Turning our attention to the balance sheet, I would like to point out that accounts payable was approximately \$13 million at December 31, 2009, compared with approximately \$4.0 million at March 31, 2010.

At year-end we made a conscious decision to hold all third quarter 2009 Medicaid invoice payments until we conducted a historical review of Medicaid invoices for potential erroneous billing issues dating back to our strategy change in September of 2007. These ongoing reviews have resulted in a cumulative recovery of \$1.4 million in our favor.

Now that we're able to conduct this review on a current basis, we have returned to our normal payment patterns by paying the fourth quarter 2009 Medicaid invoices in March 2010. This onetime delay of payment positively impacted our cash from operations in the fourth quarter of 2009 and now negatively impacts our cash from operations by a similar amount for the first quarter of 2010.

During the first quarter we did not purchase any shares under our share repurchase program and have, to date, used approximately \$57 million to repurchase 14 million common and preferred shares during the last two years. We continue to have 5.1 million shares authorized for repurchase under the revised common share purchase program. At March 31, 2010 we had approximately 61.9 million common shares outstanding.

With that, I would like to turn it back to Don. Don?

DON BAILEY: Thanks Gary. I'd like to just take few moments to discuss our outlook for the remainder of 2010.

We understand that while investors would like for us to provide financial performance guidance, it's important

to remember that sales in all three of our key markets are difficult to forecast. Therefore, we will continue to refrain from offering specific guidance for 2010, but reiterate our four principle goals for the year. Three are related to sales and the last one to our share buyback program.

The first goal is to increase year-over-year revenue for MS and we're well on our way for that goal, to meet that goal. Second, our goal for nephrotic syndrome is to execute our pilot sales effort to educate the market about the use of **Acthar** in this condition. Third, we will continue to work with the FDA on our sNDA in an attempt to gain U.S. market clearance for **Acthar** in the IS market and fourth, if conditions allow, we will continue to execute our share repurchase program, which has significantly improved shareholder value today.

Operator, you may now open the call for questions.

OPERATOR: (Operator Instructions) Yale Jen, Maxim Group

YALE JEN, ANALYST, MAXIM GROUP: Good afternoon, gentlemen, and congrats on the continued good quarters.

DON BAILEY: Thanks, Yale.

YALE JEN: I have a few questions and thanks. The first one will be could you give us a little bit breakdown on the revenue side in terms of the three, also the three buckets and from different indications?

DON BAILEY: Just to remind people, we do not have specific information about all of our sales. We have a number of ways of getting at an estimate for net sales by therapeutic area and we believe now that MS, in the first quarter, sales were slightly higher than infantile spasms. And together they represent approximate 90%, just a tad under 90% of sales. In third place for the first time was nephrotic syndrome.

YALE JEN: Okay, great and the second question is in terms of the nephrotic syndrome clinical data. I know there is three different studies. Would you have any insight as to when you may have the data release on which study and what you think that -- could you elaborate more on that?

STEVE CARTT: Sure, Yale, this is Steve. We have five clinical studies in nephrology that are currently underway. They're enrolling patients. Some are further along than others. We'd like them to all be done as soon as possible. We can't always guarantee that, but the investigators are very enthusiastic and are enrolling as fast as they can. We hope that we'll have the first of those studies done in early 2011 and that they will --there'll be kind of a rolling series of data sets coming out of that.

We're hoping to have a look at some interim sets of data later this year and we also have some preclinical studies that are looking at verifying the mechanism of action, which we believe is a direct affect of ACTH in **Acthar**, as opposed to an indirect affect through cortisol stimulation., which is an important point, because it differentiates us from steroids. So it's going to be a rolling bunch of data that comes out late this year and goes through 2011.

YALE JEN: Was there any plans for presenting these data in any medical meeting or simply just only you start with top-line?

STEVE CARTT: Yes. We've heard from -- that's an important question, obviously. We've heard from some of the investigators that they'd like to present at least some interim datasets at the ASM meeting late this year. And we would expect that there'll be some data available there and we would expect them to begin filing, submitting manuscripts for possible publication with submissions of the manuscripts late this year as well.

YALE JEN: Okay, and in terms of the healthcare reform, you mentioned specifically in terms of the Medicaid patients, now the healthcare -- I mean, Medicare group of the health care Medicaid patient will also receiving rebates. Do you have a sense, roughly speaking, what percentage of the patient in the bucket or any currently (inaudible - heavily accented language) group of patient might fall into that category?

DON BAILEY: That's an excellent question and we are in the middle of researching that question. Our primarily estimate is somewhere between a 30% and a 50% increase to the current number of patients.

It's a little more different for us to get at this because of the very high number of babies that are already covered under various Medicaid programs, because there's quite a few states that already moved to manage Medicare being rebate-eligible over the last couple years. And a significant number of federal and state programs that cover children through what are called "Medicaid Waiver" programs These all combine together to make it more difficult to measure this for infants.

YALE JEN: So you mean 30% to 50% that's currently already in the Medicaid, right, and it could be rolled out earlier from them and into sort of managed care sort of settings. Is that right, first of all?

DON BAILEY: That's our current estimate, subject to change as we learn more about this during the next couple quarters.

YALE JEN: So, going forward, do you see additional much more to do to move into this category or you think that's being more stabilized in a way in terms of the number-wise?

DON BAILEY: Well, it'll take some time for the states to implement the necessary contract changes with insurance companies and provide for the administrative processing of patients. So we don't know exactly how quickly the states and insurance companies will be able to comply with this provision. So, we think this will ramp in and whether they can or able to go back in time and collect rebates back to March 23rd. We don't know if they'll be able to administratively be able to do that. But past that, we don't -- past that ramp up we don't expect there to be additional changes in Medicaid enrollment that will impact us.

YALE JEN: Okay, good to know and last of the two sort of brief questions. First of all, in terms of the MS script you said March is a great month and April is even a greater one. Would you have any script numbers you want to share at this moment?

DON BAILEY: Well, we provided you data by quarter and I think that's the level of granularity that we're comfortable with providing, but as Steve said, we had noted on our last call that January and February was running roughly flat to Q4. So you can do a little detective work there and --.

YALE JEN: Okay (inaudible - multiple speakers).

DON BAILEY: But we don't want to get in that mill of having to provide monthly numbers.

YALE JEN: That's fine and that makes our life a little bit more excited. And the last one is that at this moment would you start to get a little bit more color into the actual let's say treatable NS market at this moment, maybe in the dollar value size? Or is (inaudible - heavily accented language) in the process of defining that?

DON BAILEY: I'd say we're still in the process of trying to understand which nephrotic syndrome patients may end up being effectively treated with **Acthar**. At the top end there's 50,000 patients and \$200,000 each. That math yields \$10 billion.

YALE JEN: Right.

DON BAILEY: So we wouldn't expect it to be any higher than that.

YALE JEN: Okay. That's a very, very impressive number, by the way.

DON BAILEY: So probably somewhat less than that. For example, if it was just the (inaudible) nephropathy patients we would probably be more just in the \$1.0 billion, \$2.0 billion range.

YALE JEN: Would that be any number in terms of let's say (inaudible - heavily accented language) severe patients and that have a longer history of kidney disease leading to nephrotic syndrome in terms of that will be a cohort or maybe what I would say a lower hanging fruit and the breakdown in terms of the number of patients of that cohort?

DON BAILEY: Well, I think you're right. I think it's logical that doctors will start with their most difficult patients. Ones that we -- the one that we featured in our presentation at Cowen was certainly a patient that had a real host of medical problems and had failed quite a few therapies, including having had a transplant that wasn't working. So I think it's natural for doctors to start with their most devastated patients and work towards and kind of work up towards the patients that are catching them early.

So it's its really difficult to figure out a ramp here and first of all, we've got to see that **Acthar** works in a large enough percentage. But we've been led to believe that even if **Acthar** is effective in only say 20-25-30% of patients, for those patients that are in that severe category, it would still be used in all patients.

YALE JEN: And lastly in terms of a reimbursement, you said that so far it has been noted, the patient has been reimbursed as I heard, recollect. Do you see any plans, current insurance plans making it formally part of this as reimbursable for various payers? Do you do anything different?

STEVE CARTT: Yale, this is Steve. Is the question are we seeing any changes in payer coverage, is that the question?

YALE JEN: Right. Right.

STEVE CARTT: No. We're seeing pretty consistent coverage. We're in communication with payers regularly and sometimes the discussions are more interesting than other times, but we're getting very consistent coverage. In IS its about 95%, MS and nephrotic syndrome are running at about 90% coverage each, which is very high, particularly for a drug with this pricing range. And of course patients who are covered go to NORD for patient assistance and copay assistance.

YALE JEN: Okay, great. Thanks a lot and appreciate the (inaudible - heavily accented language) and congrats on the good quarter and continued good quarters.

DON BAILEY: Okay.

OPERATOR: (Operator Instructions) Chad Newman, Oppenheimer Funds

CHAD NEWMAN, ANALYST, OPPENHEIMER FUNDS: Hi guys, thanks for taking the questions. I just wondered, in infantile spasms it looks like the pay, the percentage of private pay seems to be decreasing in 2009 versus 2008, that is, I assume, that the percentage of Medicaid patients increased. Do you expect that percentage to stay relatively flat right now? It looks like it's somewhere between 30% and 40% of the new scripts. Do you expect that to fluctuate up a little bit?

DON BAILEY: No. We expect it to go up because of this Medicaid managed care provision in the new healthcare legislation that we've referred to. But, for that change, we would have expected it to stay roughly the same. But of course month to month and quarter to quarter there's always a lot of variation, but the new managed care provision will push that percentage up a little bit.

CHAD NEWMAN: Okay and then in multiple sclerosis do you have any plans to add any promotional effort there, going forward?

STEVE CARTT: Yes. This is Steve. We're in the midst of evaluating what we want to do with the size of our sales force. We're at 38 now. It's been at that size only for about six months, so we have a lot of moving parts this year. We got great growth going in MS. We have a potential launch in IS later in the year, hopefully, and we may want to expand our activities in nephrology. So we're weighing all of those different possibilities and sorting through what the different scenarios might look like and the potential for a sales force expansion is significant.

But regardless of what we do, we're going to look at it very carefully from a spending perspective and a risk perspective and do it more maybe not in such small increments as we've had before, but still pretty incremental.

CHAD NEWMAN: Okay and then what is your overall spending trend going to look like in 2010? Do you expect your R&D and SG&A to increase or stay flat?

DON BAILEY: I'd say overall it's going to roughly flat for what we have in Q1, give or take a couple million dollars here or there. So we spent -- our total operating expenses were \$12.2 million in Q1, so maybe roughly in that range, plus or minus a million bucks.

CHAD NEWMAN: Okay and for the nephrotic syndrome scripts, when those are filled, how many vials are filled in those scripts? Do you have sort of the entire amount of vials being sent out at one time or do you have sort of a portion of what the patients are going to need?

STEVE CARTT: Yes. It's usually we see anywhere from one to three vials. Typically it's one. The payers would like to cover that first vial and see if the patients responds as the physician is hoping the patient will. And then if the patient's continued on therapy, if they're seeing a lack of significant side effects and possibly early efficacy, they'll continue with refills.

And as we mentioned earlier, the most common length of treatment we're seeing now is six months and that results in eight-to-ten vials over the course of that time period, both from the initial one or two vials that are shipped and subsequent refills.

CHAD NEWMAN: Okay. So would you expect to see prescriptions say maybe every two months in that case, if you have an initial script of one to three vials and the patient responds to the drug?

STEVE CARTT: Well, you'll see the initial script and then that'll be approved by insurance and then it just comes through as additional refills. So we see that new prescription and that's really the only one that needs

to go through the insurance process. Once that's approved, the refills come basically automatically as long as the doctor says it's okay.

CHAD NEWMAN: Okay.

DON BAILEY: The prescription is often written "one vial with nine refills", something like that. So there'd be a refill every couple weeks.

CHAD NEWMAN: Okay. Are there any other indications where you're seeing use of the drug that you might be able to increase with some promotion?

STEVE CARTT: Well, ones and twos here and there, some on-label, some off-label. But we are looking at other possible indications. We have a rich label that we're still plowing through to see if there are some commercial opportunities there and then we're funding, as we mentioned earlier, some preclinical standards in ALS and traumatic brain injury as well and we're looking at some other possible studies beyond those.

DON BAILEY: **Acthar** seems to have some efficacy in neuromuscular disorders and also in those conditions where a patient has been refractory to steroids, so those are the areas that we're looking at.

CHAD NEWMAN: Okay, great. Thanks.

OPERATOR: Brian Jeep, Sidoti & Company

BRIAN JEEP, ANALYST, SIDOTI & COMPANY: Good afternoon, gentlemen. I just have one quick one. Could you give us the breakdown from gross sales to net sales and the various deductions?

DON BAILEY: Gary, do you have that?

GARY SAWKA: Yes. I can get (inaudible - multiple speakers) --

DON BAILEY: Give us just a second and Gary has that. Of course that'll be in the 10-Q, which should come out on the 10th.

GARY SAWKA: Yes. So the total sales deductions are \$7.2 million, 6.6% of that is the Medicaid --.

DON BAILEY: \$6.6 million.

GARY SAWKA: \$6.6 million of the Medicaid rebate and then we had \$200,000 of Tricare rebates and \$400,000 of copay assisted.

DON BAILEY: That's almost all Medicaid rebates.

BRIAN JEEP: Okay. Alright and then you said you expected that to, I guess, trend up on the Medicaid changes?

DON BAILEY: Correct.

BRIAN JEEP: Okay. Alright, thank you very much.

OPERATOR: Tim Chiang, CRT Capital

TIM CHIANG, ANALYST, CRT CAPITAL: Hi, thanks. Don, could you just give a little bit of detail as to how many patients in total you have being evaluated for nephrotic syndrome in the five trials?

DON BAILEY: I think between the trials and patients that are being treated through these spontaneous prescriptions we have approximately 80 patients on **Acthar** right now.

TIM CHIANG: Okay.

DON BAILEY: and that number will grow as more patients are enrolled in the trials and more prescriptions come in.

TIM CHIANG: So I guess, assuming that you do get some data, let's say later this year. You already have the formal approval for the product. I mean, how would it work such that you could turn these prescriptions

into paying prescriptions?

DON BAILEY: Let me let Eldon Mayer answer that question for you.

ELDON MAYER, VP, COMMERCIAL OPERATIONS, **QUESTCOR** PHARMACEUTICALS, INC.: Yes. So, Tim, the number that Don gave you was both a mix of the patients who are on our studies as well as patients who are currently receiving prescriptions that are paid for. So are you asking about how we would convert the patients who are on the studies or could you clarify?

TIM CHIANG: Yes. I mean, how do you convert the patients that are basically on drug in the studies to basically paying prescriptions?

ELDON MAYER: So, it's not yet known at this time how long these patients will need treatment. We do know, so far, that the average treatment appears it's about six months. So it's quite possible that these patients could complete treatment in the studies that they're in and that doctors would, having had a good experience, treat additional patients. Because we know there's a large patient population out there for which there aren't options, so there's a good unmet need there.

However, given that reimbursement that we've had and the good coverage, should they decide to continue those patients on **Acthar**, I think, and the fact that it's on label, it's very likely that those would be paid as well.

TIM CHIANG: Okay. Okay, great. Thanks.

DON BAILEY: Thanks, Tim.

OPERATOR: And at this time there are no more questions in the queue. I'd like to turn it back to management for any closing comment.

DON BAILEY: Thank you, operator, and thank to all the investors for participating today. We look forward to talking with you again on May 10th, in ten days or so, during our call to review the FDA Advisory Committee meeting. Bye-bye.

OPERATOR: Thank you, Ladies and gentlemen, this does conclude the **Questcor** first quarter 2010 financial results conference call.

If you would like to listen to a replay of this conference, you may do so by dialing either 303-590-3030 or 1-800-406-7325. You will need to enter the access code 4285207. Those telephone numbers once again are 303-590-3030 or 1-800-406-7325 with the access code of 4285207.

Again, we thank you for your participation on today's call. You may now disconnect at this time.

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