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Detroit Area Hospital System to Pay \$84.5 Million to Settle False Claims Act Allegations Arising From Improper Payments to Referring Physicians

WASHINGTON – William Beaumont Hospital, a regional hospital system based in the Detroit, Michigan area, will pay \$84.5 million to resolve allegations under the False Claims Act of improper relationships with eight referring physicians, resulting in the submission of false claims to the Medicare, Medicaid and TRICARE programs, the Justice Department announced today.

The Anti-Kickback Statute prohibits offering, paying, soliciting, or receiving remuneration to induce referrals of items or services covered by Medicare, Medicaid, and other federally funded programs. The Physician Self-Referral Law, commonly known as the Stark Law, prohibits a hospital from billing Medicare for certain services referred by physicians with whom the hospital has an improper financial arrangement, including the payment of compensation that exceeds the fair market value of the services actually provided by the physician and the provision of free or below-market rent and office staff. Both the Anti-Kickback Statute and the Stark Law are intended to ensure that physicians' medical judgments are not compromised by improper financial incentives and instead are based on the best interests of their patients.

"Offering financial incentives to physicians in return for patient referrals undermines the integrity of our health care system," said Acting Assistant Attorney General Chad A. Readler of the Justice Department's Civil Division. "Patients deserve the unfettered, independent judgment of their health care professionals."

"We are very pleased with the outcome of this case. This result should impress on the medical community the fact that we will aggressively take action to recover monies wrongfully billed to Medicare, through the remedies provided in the federal False Claims Act," said U.S. Attorney Matthew Schneider for the Eastern District of Michigan. "I would like to commend the new leadership at Beaumont Hospital for making things right once its past wrongdoing was brought to its attention by federal investigators."

The settlement resolves allegations that between 2004 and 2012, Beaumont provided compensation substantially in excess of fair market value and free or below-fair market value office space and employees to certain physicians to secure their referrals of patients in violation of the Anti-Kickback Statute and the Stark Law, and then submitted claims for services provided to these illegally referred patients, in violation of the False Claims Act. The settlement also resolves claims that Beaumont allegedly misrepresented that a CT radiology center qualified as an outpatient department of Beaumont in claims to federal health care programs. As a result of this settlement, Beaumont will pay \$82.74 million to the United States and \$1.76 million to the State of Michigan.

"Health care providers that offer or accept financial incentives in exchange for patient referrals undermine both the financial integrity of federal health care programs and the public's trust in medical institutions," said

HHS-OIG Special Agent in Charge Lamont Pugh. "Our agency will continue to protect both patients and taxpayers by holding those who engage in fraudulent kickback schemes accountable."

The allegations resolved by the settlement were brought in four lawsuits filed under the *qui tam*, or whistleblower, provisions of the False Claims Act, which permit private parties to sue on behalf of the government for false claims and to receive a share of any recovery. The four *qui tam* cases are captioned: *United States ex rel. David Felten, M.D., Ph.D. v. William Beaumont Hospitals, et al.*, No. 2:10-cv-13440 (E.D. Mich.), *United States ex rel. Karen Carbone v. William Beaumont Hospital*, No. 11-cv-12117 (E.D. Mich.), *United States ex rel. Cathryn Pawlusiak v. Beaumont Health System, et al.*, No. 2:11-cv-12515 (E.D. Mich.), and *United States ex rel. Karen Houghton v. William Beaumont Hospital*, No. 2:11-cv-14312 (E.D. Mich.). The whistleblower shares to be awarded in the cases have not yet been determined.

These matters were investigated by the U.S. Attorney's Office for the Eastern District of Michigan, the Civil Division's Commercial Litigation Branch, and the State of Michigan Attorney General's Office. Investigative assistance was provided by the Office of Inspector General of the Department of Health and Human Services and the Centers for Medicare and Medicaid Services, and the Department of Defense's Defense Criminal Investigative Service.

In addition to resolving its False Claims Act liability, Beaumont has entered into a five-year Corporate Integrity Agreement with the Department of Health and Human Services Office of Inspector General which includes, among other things, an arrangements review to be conducted by an Independent Review Organization.

The government's investigation and resolution of this matter illustrates the government's emphasis on combating healthcare fraud. One of the most powerful tools in this effort is the False Claims Act. Tips and complaints from all sources about potential fraud, waste, abuse, and mismanagement, can be reported to the Department of Health and Human Services at 800-HHS-TIPS (800-447-8477).

The claims resolved by the settlement are allegations only, and there has been no determination of liability.

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