JUSTICE NEWS

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Adventist Health System Agrees to Pay $115 Million to Settle False Claims Act Allegations

Adventist Health System has agreed to pay the United States $115 million to settle allegations that it violated the False Claims Act by maintaining improper compensation arrangements with referring physicians and by miscoding claims, the Justice Department announced today. Adventist is a non-profit healthcare organization that operates hospitals and other health care facilities in 10 states.

“Unlawful financial arrangements between heath care providers and their referral sources raise concerns about physician independence and objectivity,” said Principal Deputy Assistant Attorney General Benjamin C. Mizer, head of the Justice Department’s Civil Division. “Patients are entitled to be sure that the care they receive is based on their actual medical needs rather than the financial interests of their physician.”

The settlement announced today resolves allegations that Adventist submitted false claims to the Medicare and Medicaid programs for services rendered to patients referred by employed physicians who received bonuses based on a formula that improperly took into account the value of the physicians’ referrals to Adventist hospitals. Federal law restricts the financial relationships that hospitals and clinics may have with doctors who refer patients to them.

“Adventist-owned hospitals, such as Park Ridge, allegedly paid doctors’ bonuses based on the number of test and procedures they ordered,” said Acting U.S. Attorney Jill Westmoreland Rose of the Western District of North Carolina. “This type of financial incentive is not only prohibited by law, but can undermine patients’ medical care. Would-be violators should take notice that my office will use the False Claims Act to prevent and pursue health care providers that threaten the integrity of our healthcare system and waste taxpayer dollars.”

“Companies that financially reward physicians in exchange for patient referrals – as the government contended in this case – undermine the physicians’ impartial medical judgment at the expense of patients and taxpayers,” said Special Agent in Charge Derrick L. Jackson of the U.S. Department of Health and Human Services Office of Inspector General (HHS-OIG) in Atlanta. “We will continue to investigate such wasteful business arrangements.”

The settlement also resolves allegations that Adventist submitted bills to Medicare for its employed physicians’ professional services containing certain improper coding modifiers, and thereby obtained greater reimbursement for these services than entitled.

The allegations settled today arose from two lawsuits filed respectively by whistleblowers Michael Payne, Melissa Church and Gloria Pryor, who worked at Adventist’s hospital in Hendersonville, North Carolina, and Sherry Dorsey, who worked at Adventist’s corporate office, under the *qui tam* provisions of the False Claims Act. The act permits private parties to file suit on behalf of the United States for false claims, and to share in any recovery. The

whistleblowers' share of the settlement has not yet been determined.

This settlement illustrates the government's emphasis on combating health care fraud and marks another achievement for the Health Care Fraud Prevention and Enforcement Action Team (HEAT) initiative, which was announced in May 2009 by the Attorney General and the Secretary of Health and Human Services. The partnership between the two departments has focused efforts to reduce and prevent Medicare and Medicaid financial fraud through enhanced cooperation. One of the most powerful tools in this effort is the False Claims Act. Since January 2009, the Justice Department has recovered a total of more than $25 billion through False Claims Act cases, with more than $16 billion of that amount recovered in cases involving fraud against federal health care programs.

The cases, *United States ex rel. Payne, et al. v. Adventist Health System/Sunbelt, Inc., et al.* No. 12-856 (W.D.N.C), and *United States ex rel. Dorsey v. Adventist Health System Sunbelt Healthcare Corp., et al.*, No. 13-217 (W.D.N.C), were handled by the Civil Division's Commercial Litigation Branch, the U.S. Attorney's Office of the Western District of North Carolina and HHS-OIG. The claims settled by this agreement are allegations only, and there has been no determination of liability.

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