

JUSTICE NEWS

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Texas-Based Citizens Medical Center Agrees to Pay United States \$21.75 Million to Settle Alleged False Claims Act Violations

Citizens Medical Center, a county-owned hospital in Victoria, Texas, has agreed to pay the United States \$21,750,000 to settle allegations that it violated the False Claims Act by engaging in improper financial relationships with referring physicians, the Justice Department announced today.

“The Department of Justice has longstanding concerns about improper financial relationships between health care providers and their referral sources, because those relationships can alter a physician’s judgment about the patient’s true health care needs and drive up health care costs for everybody,” said Principal Deputy Assistant Attorney General Benjamin C. Mizer of the Justice Department’s Civil Division. “In addition to yielding a recovery for taxpayers, this settlement should deter similar conduct in the future and help make health care more affordable.”

“Any type of false claim or improper behavior under our health care fraud laws are serious allegations that will not be taken lightly,” said U.S. Attorney Kenneth Magidson of the Southern District of Texas. “The settlement announced today represents the effectiveness of our continuing efforts and an example of our priorities in this arena.”

The settlement announced today resolved allegations that the hospital provided compensation to several cardiologists that exceeded the fair market value of their services. The settlement also resolved allegations that the hospital paid bonuses to emergency room physicians that improperly took into account the value of their cardiology referrals. The United States contended that these agreements violated the Stark Statute and the False Claims Act. The Stark Statute restricts the financial relationships that hospitals may have with doctors who refer patients to them.

The allegations settled today arose from a lawsuit filed by three whistleblowers, Dakshesh “Kumar” Parikh, Harish Chandna and Ajay Gaalla, under the *qui tam* provisions of the False Claims Act. Under the act, private citizens can bring suit on behalf of the government for false claims and share in any recovery. The whistleblowers will collectively receive \$5,981,250 from the recoveries announced today.

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 \$24 billion through False Claims Act cases, with more than \$15.3 billion of that amount recovered in cases involving fraud against federal health care programs.

The case, *United States ex rel. Parikh, et al. v. Citizens Medical Center, et al.*, Case No. 6:10-cv-64 (S.D. Tex.), was handled by the Civil Division's Commercial Litigation Branch, the U.S. Attorney's Office for the Southern District of Texas and the U.S. Department of Health and Human Services' Office of Inspector General. The claims settled by this agreement are allegations only, and there has been no determination of liability.

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Civil Division*Updated April 21, 2015*