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Dignity Health Agrees to Pay $37 Million to Settle False Claims Act Allegations

Dignity Health has agreed to pay the United States $37 million to settle allegations that 13 of its hospitals in California, Nevada and Arizona knowingly submitted false claims to Medicare and TRICARE by admitting patients who could have been treated on a less costly, outpatient basis, the Justice Department announced today. Dignity, formerly known as Catholic Healthcare West, is based in San Francisco and is one of the five largest hospital systems in the nation with 39 hospitals in three states.

"Charging the government for higher cost inpatient services that patients do not need wastes the country's vital health care dollars," said Acting Assistant Attorney General Joyce R. Branda for the Justice Department's Civil Division. "This department will continue its work to stop abuses of the nation's health care resources and to ensure patients receive the most appropriate care."

The settlement resolves allegations that 13 Dignity Health hospitals knowingly overcharged Medicare and TRICARE, part of the military health care program, for inpatient services for patients who should have been treated on a less costly, outpatient basis. Because hospitals generally receive significantly higher payments from federal health care programs for inpatient admissions as opposed to outpatient treatment, the admission of numerous patients who do not need inpatient care, as alleged here, can result in substantial financial harm to federal health care programs.

The United States alleged that from 2006 through 2010, 13 Dignity hospitals billed Medicare and TRICARE for inpatient care for certain patients who underwent elective cardiovascular procedures (e.g., stents, pacemakers) in scheduled surgeries when the claims should have been billed as outpatient surgeries. In addition, the government alleged that from 2000 through 2008, four of the hospitals billed Medicare for beneficiaries undergoing elective kyphoplasty procedures, which are minimally-invasive and performed to treat certain spinal compression fractures that should have been billed as less costly outpatient procedures. Lastly, the government alleged that from 2006 through 2010, 13 hospitals admitted patients for certain common medical diagnoses where admission as an inpatient was medically unnecessary and appropriate care could have been provided in a less costly outpatient or observation setting.

"This settlement demonstrates this office's commitment to protecting our federal health care programs," said U.S. Attorney Melinda Haag for the Northern District of California. "We will continue to aggressively and appropriately pursue False Claims Act allegations of wrongdoing in the health care industry."

As part of today's agreement, Dignity entered into a corporate integrity agreement with the U.S. Department of Health and Human Services – Office of Inspector General (HHS-OIG) requiring the company to engage in significant compliance efforts over the next five years. Under the agreement, Dignity is required to retain independent review organizations to review the accuracy of the company's claims for services furnished to federal health care program beneficiaries.

"Hospitals that attempt to boost profits by admitting patients for expensive and unnecessary inpatient hospital stays will be held accountable," said Special Agent in Charge Ivan Negroni of HHS-OIG's San Francisco Office. "Both patients and taxpayers deserve to have medical decisions made solely on what is best for the patient based on medical necessity."

This settlement resolves a lawsuit filed in the U.S. District Court for the Northern District of California by Kathleen Hawkins, a former employee of Dignity, under the *qui tam* or whistleblower provisions of the False Claims Act, which permit private citizens to bring lawsuits on behalf of the United States and obtain a portion of the government's recovery. Hawkins will receive approximately $6.25 million.

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 $23 billion through False Claims Act cases, with more than $14.8 billion of that amount recovered in cases involving fraud against federal health care programs.

The settlement was a result of a coordinated effort by the Civil Division, the U.S. Attorneys' Offices for the Northern District of California and the Western District of New York and the HHS-OIG.

The case is captioned *United States ex rel. Hawkins v. Catholic Healthcare West, et al., CV C 09-5604 JCS*. The claims resolved by this settlement are allegations only and there has been no determination of liability.

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