

Department of Justice
U.S. Attorney's Office
Eastern District of Pennsylvania

FOR IMMEDIATE RELEASE

December 11, 2018

Coordinated Health and CEO Pay \$12.5 Million to Resolve False Claims Act Liability for Fraudulent Billing

PHILADELPHIA, PA – United States Attorney William M. McSwain announced today that Coordinated Health Holding Company, LLC (“Coordinated Health”) and its founder, principal owner, and Chief Executive Officer, Emil DiIorio, M.D., agreed to settle allegations under the False Claims Act that they submitted false claims to Medicare and other federal health care programs for orthopedic surgeries. Coordinated Health agreed to pay \$11.25 million and DiIorio agreed personally to pay \$1.25 million, for total settlement of \$12.5 million. Coordinated Health has also entered into a Corporate Integrity Agreement with the U.S. Department of Health and Human Services that will require regular monitoring of its billing practices for five years.

Coordinated Health is a for-profit hospital and health system based in the Lehigh Valley region of Pennsylvania. It employs approximately 100 physicians, approximately 30 of whom are board-certified orthopedic surgeons. Dr. DiIorio is a board-certified orthopedic surgeon.

The government alleges that Coordinated Health and Dr. DiIorio engaged in a scheme to improperly unbundle claims for reimbursement for orthopedic surgeries in order to artificially inflate reimbursements from federal healthcare payers. Medicare and other public healthcare insurers reimburse physicians and hospitals a global fee for many types of orthopedic surgeries. The global fee is a single payment for all parts of a surgery. Although electronic safeguards automatically block separate reimbursements for parts of the same surgery when the global fee is paid, those safeguards can sometimes be circumvented when billing codes are misused. For example, a medical provider can circumvent the system by affixing a billing code, Modifier 59, to its request for payment. That billing code informs the payer that a separately billed service was not part of the original surgery and is appropriate to separately pay. It is improper “unbundling” when a provider submits a claim for a global reimbursement for a surgery and misuses Modifier 59 to separately bill for parts of the same surgery.

The government alleges that from 2007 through mid-2014, Coordinated Health routinely exploited Modifier 59 to improperly unbundle orthopedic surgery claims, including for many total joint replacement and arthroscopic surgeries. As a consequence, federal healthcare payers, including Medicare and Medicaid, overpaid Coordinated Health by millions of dollars.

The government further alleges that Dr. DiIorio should have stopped the illegal unbundling. Instead, beginning in April of 2009, Dr. DiIorio changed how he wrote operative reports so that Coordinated Health billers could maximize improperly unbundled reimbursements for his knee, hip and shoulder surgeries using Modifier 59.

For example, in his total knee replacement operative reports prior to April 2009, Dr. DiIorio rarely diagnosed any patient with poor patellar tracking and stated in almost every report that an incision sometimes necessary to improve patellar tracking, called a “lateral retinacular release,” was unnecessary. A lateral retinacular release performed during a total knee replacement is part of the global surgery reimbursement for a knee replacement. However, in almost every knee replacement operative report after April 1, 2009, Dr. DiIorio diagnosed the patient with poor patellar tracking and stated he performed a lateral retinacular release. Each time, Coordinated Health used Modifier 59 to improperly bill for a lateral retinacular release as if one was performed separate from the knee replacement.

Top Coordinated Health executives were directly informed at least twice that Coordinated Health improperly unbundled many orthopedic surgeries by misusing Modifier 59. Two separate outside coding consultants hired by Coordinated Health, one in 2011 and one in 2013, identified the improper unbundling during coding audits and warned Coordinated Health to stop. The 2013 consultant specifically advised Coordinated Health to self-report and repay Medicare and other federal payers; the consultant also provided on-site training on the proper use of Modifier 59 to Coordinated Health coders in November 2013. Motivated by its bottom line, Coordinated Health simply ignored the consultants’ recommendations and continued abusing Modifier 59 to improperly unbundle orthopedic surgery claims until mid-2014.

“The alleged corporate culture and leadership that promoted this conduct and allowed it to continue despite crystal clear warnings is shameful,” said U.S. Attorney William M. McSwain. “If true, it amounts to theft of public funds and a fraud on Medicare, Medicaid, and federal employee health insurers. We are unaware of any unbundling scheme that has had a bigger impact on federal funds. My Office will continue to hold businesses and individuals accountable for this type of wrongdoing.”

“We expect providers to play by the rules and to act responsibly,” said Maureen R. Dixon, Special Agent in Charge for U.S. Department of Health and Human Services’ Office of Inspector General

(HHS-OIG) in Philadelphia. “Providers who fail to follow the rules should expect to be investigated by HHS-OIG and our fellow law enforcement partners.”

“I would like to express my gratitude for the dedication and professionalism exhibited by our staff, their law enforcement partners, and the U.S. Attorney’s Office in the investigation and prosecution of this matter,” said Thomas W. South, Deputy Assistant Inspector General for Investigations, U.S. Office of Personnel Management. “Their efforts protect the Federal Employee Health Benefits Program from those who would seek to defraud the program through unscrupulous and illegal billing practices.”

Kenneth Cleevely, U.S. Postal Service Office of Inspector General Special Agent in Charge, Eastern Area Field Office, stated the following: “Benjamin Franklin stated ‘There is no kind of dishonesty into which otherwise good people more easily and frequently fall than that of defrauding the government.’ I believe that quote rings true in this case. When health care providers choose to take advantage of the federal workers compensation program, Special Agents with the U.S. Postal Service Office of Inspector General will work with our law enforcement partners to see that they are held accountable. To report health care fraud relating to the Postal Service, contact special agents at www.uspsoig.gov or 888-USPS-OIG.”

“Coordinated Health and Dr. Dilorio fraudulently billed federal health care programs, including the U.S. Department of Labor’s Office of Workers’ Compensation Programs (OWCP), for the reimbursement of false claims submitted for orthopedic surgery procedures. We will continue to work with OWCP and our law enforcement partners to protect the integrity of the Federal Employees’ Compensation Act,” said Richard Deer, Special Agent-in-Charge, Philadelphia Region, U.S. Department of Labor Office of Inspector General.

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

This case was investigated by the U.S. Department of Health and Human Services Office of the Inspector General, U.S. Office of Personnel Management Office of the Inspector General, the United States Postal Service Office of Inspector General, and the Department of Labor Office of Inspector General. For the U.S. Attorney’s Office, the investigation and settlement were handled by Assistant U.S. Attorney John T. Crutchlow and Auditor George Niedzwicki.

###