

FOR IMMEDIATE RELEASE

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Health Quest and Putnam Hospital Center to Pay \$14.7 Million to Resolve False Claims Act Allegations

Health Quest Systems, Inc. and certain of its subsidiaries (Health Quest) and Putnam Health Center (PHC) have agreed to pay over \$14.7 million to resolve allegations of violations of the False Claims Act by submitting inflated and otherwise ineligible claims for payment, the Justice Department announced today. New-York based Health Quest is a family of integrated hospitals and healthcare providers that deliver surgical, medical and home health care services. PHC is a Health Quest subsidiary hospital based in Carmel Hamlet, New York.

“This resolution is a testament to our deep commitment to protecting the integrity of federally-funded healthcare programs,” said Acting Assistant Attorney General Chad A. Readler for the Justice Department’s Civil Division. “We are determined to hold accountable healthcare providers that knowingly claim taxpayer funds to which they are not entitled.”

In the settlement announced today, Health Quest and PHC admitted, acknowledged, and accepted responsibility for certain facts involving the submission of improper claims for various health-related services, including the following:

From April 1, 2009 through June 23, 2015, Health Quest submitted claims for evaluation and management services but did not sufficiently document the services to support the level of service billed. As a result, the services were billed two levels higher than supported by the medical record.

From April 1, 2011 through August 2014, Health Quest submitted claims for home health services that lacked sufficient medical records to support the claim, including documentation of a face-to-face encounter with a physician.

From March 1, 2014 through December 31, 2014, Health Quest subsidiary hospital, PHC, submitted allegedly false claims for inpatient and outpatient services referred to PHC by two orthopedic

physicians, in alleged violation of the Physician Self-Referral Law. The two physicians had a direct financial relationship with PHC for providing administrative services and received compensation from PHC. The United States alleged their compensation exceeded the fair market value for the services, and thereby violated the Physician Self-Referral Law, which prohibits a hospital from billing Medicare for certain services referred by physicians with whom the hospital has an improper compensation arrangement. The United States further alleged that one purpose of the excessive compensation was to induce the above referrals to PHC, in violation of the Anti-Kickback Statute.

“Today’s settlement holds Heath Quest responsible for false billings to federally funded health care programs, as well as claims tainted by a hospital’s payments to two physicians for administrative services where it appears that one purpose of those payments was to improperly induce referrals. Hospitals and providers must be vigilant to make sure that claims accurately reflect medical services provided and are supported by sufficient documentation. We will continue to investigate whistleblower complaints vigorously to protect public funds,” said United States Attorney Grant C. Jaquith for the Northern District of New York.

As part of the settlements announced today, Health Quest will pay an additional \$895,427 to the State of New York, which jointly funds the State’s Medicaid program with the federal government.

Contemporaneously with the False Claims Act settlement, Health Quest also agreed to enter into a Corporate Integrity Agreement (CIA) with HHS-OIG to address future compliance.

“Government health program dollars are precious and need to be carefully guarded,” said Scott J. Lampert, Special Agent in Charge for the Office of Inspector General of the U.S. Department of Health and Human Services (HHS-OIG). “Working closely with our law enforcement partners we will fight for the integrity of these taxpayer-funded programs.”

The settlement resolves three lawsuits brought by former employees of Health Quest 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. Tim Cleary will receive \$1,893,092, John Betaudier and Carolyn Carroll will receive, collectively, \$56,266, and Gregory Folta will receive at least \$875,546.

The lawsuits, are captioned: United States, et al. ex rel. Folta v. Health Quest Systems, Inc., et al., No. 1:15-cv-396 (N.D.N.Y.); United States, et al. ex rel. Cleary v. Health Quest Systems, Inc., et al., No. 16-cv-76 (N.D.N.Y.); and United States, et al. ex rel. Betaudier and Carroll v. Health Quest Medical, Practice, P.C., et al., No. 1:16-cv-1344 (N.D.N.Y.).

The federal government’s resolution of these matters illustrates its emphasis on combating health care 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).

These matters were investigated by the Civil Division's Commercial Litigation Branch; the U.S. Attorney's Office for the Northern District of New York; HHS-OIG; the FBI; and the U.S. Postal Service Office of Inspector General.

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