



U.S. Department of Justice

United States Attorney

Eastern District of Pennsylvania

615 Chestnut Street
Suite 1250
Philadelphia, Pennsylvania 19106-4476
(215) 861-8200

July 22, 2011

**\$1.6 MILLION SETTLEMENT AGREEMENT ANNOUNCED WITH CHI INSTITUTE
FOR ALLEGED FAILURES TO COMPLY WITH FEDERAL STUDENT FINANCIAL AID
REQUIREMENTS**

PHILADELPHIA - A \$1.6 million settlement agreement was filed today resolving allegations that CHI Institute (“CHI”), in Broomall, Pennsylvania, failed to provide its students with the educational program it had promised them, announced United States Attorney Zane David Memeger. CHI is a proprietary school, which offers career-focused, technical and vocational courses. CHI is part of Kaplan Higher Education Corporation, a subsidiary of Kaplan, Inc., which is owned by The Washington Post Company.

The settlement resolves allegations raised by a whistleblower pursuant to the qui tam provisions of the False Claims Act and resolves the findings of a Department of Education program review. The qui tam action and the program review focused on a program that CHI formerly offered that led to a diploma in surgical technology, also called a “surg tech” program. The majority of students who enrolled in the surg tech program received some form of federal student financial aid – by way of grants, direct federal loans, and/or guaranteed student loans.

The surg tech program included both classroom time and an externship at a hospital or surgery center. The externship was a form of field training in a clinical setting. To graduate from the surg tech program, a student had to complete both the classroom and the externship portions of the program.

The qui tam action and the program review alleged that CHI misled students and the federal government about the availability of externships necessary for students to graduate from the surg tech program. That is, the qui tam action and the program review alleged that CHI did not have sufficient externship spots for all of the students who signed up for the surg tech program. The result, according to the allegations, was that students paid CHI – with federal student financial aid – for an educational program that CHI knew it could not provide. The program review went on to allege that CHI did not comply with a number of federal student financial aid program requirements.

“Federal education assistance is a cherished resource that the government provides to help promising students who cannot afford the rising costs of higher education,” said Memeger. “The institutions that benefit from such assistance must deliver what they promise - whether it is in the form of classes, training, or preparing to successfully enter the job market. When those

institutions fail to deliver, we all lose, but perhaps more importantly, individual students are denied valuable opportunities to succeed.”

In accordance with the settlement agreement, CHI will make total payments of \$1.6 million. Included in that amount are payments to satisfy the student loans of surg tech students who did not receive the promised externships. Also included in that amount are payments to the federal government for losses associated with the federal student financial aid program, and a payment to the whistleblower pursuant to the False Claims Act.

The case was investigated by the Department of Education Federal Student Aid Office and the Department of Education Office of Inspector General. It was prosecuted by Assistant United States Attorney Michael S. Blume.

**UNITED STATES ATTORNEY'S OFFICE
EASTERN DISTRICT, PENNSYLVANIA
Suite 1250, 615 Chestnut Street
Philadelphia, PA 19106**

**Contact: PATTY HARTMAN
Media Contact
215-861-8525**

*COPIES OF NEWS MEMOS AND RELATED DOCUMENTS CAN ALSO BE FOUND AT
[HTTP://www.justice.gov/usao/pae](http://www.justice.gov/usao/pae)*