

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is entered into among the United States of America, acting through the United States Department of Justice and on behalf of the Office of Inspector General (“OIG-HHS”) of the Department of Health and Human Services (“HHS”) (collectively, the “United States”), Kuchakulla Reddy, M.D. (“Dr. Reddy”), Family Internal Medicine of Ocala, and Internal Medicine Associates of Ocala, LLC (collectively “Defendants”), and Relators Kasey Jacobs, James Hanes, Katherine Brooks, Karen Swain, and Barbara Mellott-Yezman, (collectively “Relators”) (the United States, Defendants, and Relators hereafter collectively referred to as “the Parties”), through their authorized representatives.

RECITALS

- A. Dr. Reddy is an Ocala, Florida physician who specializes in internal medicine.
- B. Internal Medicine Associates of Ocala, LLC (hereafter “IMA”) is Florida professional services company engaged in the practice of medicine with a principal place of business in Ocala, Florida. Dr. Reddy is the owner and president of IMA.
- C. Family Internal Medicine of Ocala (hereafter “FIM”) is a professional services company engaged in the practice of medicine with a principal place of business in Ocala, Florida. Dr. Reddy is the owner and president of FIM.
- D. On or around June 6, 2014, Kasey Jacobs and James Hanes (hereafter the “Jacobs Relators”) filed a *qui tam* action in the United States District Court for the Middle District of Florida captioned *United States ex rel. Jacobs v. Village Home Care, LLC et al*, Case No. 8:14-cv-15579-T-17EAJ, pursuant to the *qui tam* provisions of the False Claims Act, 31 U.S.C. § 3730(b) (hereafter the “Jacobs Action”). The Jacobs Action alleges, *inter alia*, that Dr. Reddy referred Medicare patients to Village Home Care LLC (hereafter “VHC”) who were not eligible

for home health services. The Jacobs action also alleges that Dr. Reddy received monthly payments from VHC.

E. On or around January 14, 2015, Katherine Brooks, Karen Swain, and Barbara Mellot-Yezman (hereafter the “Brooks Relators”) filed a *qui tam* action in the United States District Court for the Middle District of Florida captioned *United States ex rel. Brooks v. Village Home Care, LLC*, Case No. 8:15-Cv-79-T-24TBM, pursuant to the *qui tam* provisions of the False Claims Act, 31 U.S.C. § 3730(b) (hereafter the “Brooks Action”). On March 27, 2015, the Brooks Relators filed a First Amended Complaint which, *inter alia*, added Dr. Kuchakulla Reddy as a named defendant. The Brooks Action alleges, *inter alia*, that VHC paid physicians for “drop boxes” in exchange for patient referrals.

F. The United States contends that Defendants caused to be submitted claims for payment to the Medicare Program, Title XVIII of the Social Security Act, 42 U.S.C. §§ 1395-1395kkk-1 (“Medicare”).

G. The United States contends that it has certain civil claims, as specified in Paragraph 2 below, against Dr. Reddy, IMA, and FIM for engaging in the conduct below (hereinafter referred to as the “Covered Conduct”). Specifically, the United States alleges that from December 1, 2012, through March 10, 2014 (the “Relevant Time Period”), Dr. Reddy, IMA, and FIM knowingly caused VHC to submit claims to Medicare that were false because:

During the Relevant Time Period, Dr. Reddy, IMA, and FIM received remuneration from VHC in exchange for referring Medicare beneficiaries to VHC to receive designated health services (“DHS”) in the form of home health care services, in violation of the False Claims Act (“FCA”), 31 U.S.C. § 3729, et seq., the Anti-Kickback Statute (“AKS”), 42 U.S.C. § 1320a-7b(b)(2), and the Physician Self-Referral law, 42 U.S.C. § 1395nn (commonly referred to as the “Stark Law”).

Specifically, Dr. Reddy, IMA, and FIM entered into sham sublease agreements with VHC dated on or about December 1, 2012, May 15, 2013, and December 1, 2013. In return for payments under those sham subleases, Dr. Reddy referred patients and caused physicians with IMA and FIM to refer patients to VHC for DHS for which VHC billed Medicare. VHC did not need or use all of the space it rented under the sham subleases, and some of the patients Dr. Reddy and IMA and FIM physicians referred to VHC received medically unnecessary services.

H. This Settlement Agreement is neither an admission of liability by the Defendants nor a concession by the United States that its claims are not well founded.

I. Each Relator claims entitlement under 31 U.S.C. § 3730(d) to a share of the proceeds of this Settlement Agreement and to that Relator's reasonable expenses, attorneys' fees and costs.

To avoid the delay, uncertainty, inconvenience, and expense of protracted litigation of the above claims, and in consideration of the mutual promises and obligations of this Settlement Agreement, the Parties agree and covenant as follows:

TERMS AND CONDITIONS

1. Dr. Reddy, IMA, and FIM shall pay to the United States \$61,943.44 (the "Settlement Amount"), of which \$30,971.72 is restitution, no later than ten business days after the Effective Date of this Agreement by electronic funds transfer pursuant to written instructions to be provided by the Office of the United States Attorney for the Middle District of Florida.

2. Subject to the exceptions in Paragraph 4 (concerning excluded claims) below, and conditioned upon Defendants' full payment of the Settlement Amount, the United States releases Defendants from any civil or administrative monetary claim the United States has for the Covered Conduct under the False Claims Act, 31 U.S.C. §§ 3729-3733; the Civil Monetary

Penalties Law, 42 U.S.C. § 1320a-7a; the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812; or the common law theories of payment by mistake, unjust enrichment, and fraud.

3. Subject to the exceptions in Paragraph 4 below, and conditioned upon Defendants' full payment of the Settlement Amount, Relators, for themselves and for their heirs, successors, attorneys, agents, and assigns, release Defendants from any civil monetary claim the Relator has on behalf of the United States for the Covered Conduct under the False Claims Act, 31 U.S.C. §§ 3729-3733.

4. Notwithstanding the releases given in Paragraphs 2 and 3 of this Agreement, or any other term of this Agreement, the following claims of the United States are specifically reserved and are not released:

- a. Any liability arising under Title 26, U.S. Code (Internal Revenue Code);
- b. Any criminal liability;
- c. Except as explicitly stated in this Agreement, any administrative liability, including mandatory or permissive exclusion from Federal health care programs;
- d. Any liability to the United States (or its agencies) for any conduct other than the Covered Conduct;
- e. Any liability based upon obligations created by this Agreement;
- f. Any liability of individuals not parties to this agreement;
- g. Any liability for express or implied warranty claims or other claims for defective or deficient products or services, including quality of goods and services;
- h. Any liability for failure to deliver goods or services due;

- i. Any liability for personal injury or property damage or for other consequential damages arising from the Covered Conduct; and
- j. Any liability arising out of [Under Seal] v. [Under Seal], Civ. No. 5:15-cv-499-oc (M.D. Fla.).

5. Relators and their heirs, successors, attorneys, agents, and assigns shall not object to this Agreement but agree and confirm that this Agreement is fair, adequate, and reasonable under all the circumstances, pursuant to 31 U.S.C. § 3730(c)(2)(B). In connection with this Agreement and the Civil Actions, Relators and their heirs, successors, attorneys, agents, and assigns agree that neither this Agreement, any intervention by the United States in the Civil Actions in order to dismiss the Civil Actions, nor any dismissal of the Civil Actions, shall waive or otherwise affect the ability of the United States to contend that provisions in the False Claims Act, including 31 U.S.C. §§ 3730(d)(3) and 3730(e), bar Relators from sharing in the proceeds of this Agreement. Moreover, the United States and Relators and their heirs, successors, attorneys, agents, and assigns agree that they each retain all of their rights pursuant to the False Claims Act on the issue of the share percentage, if any, that any Relator should receive of any proceeds of the settlement of their claims, and that no agreements concerning Relator share have been reached to date.

6. Relators, for themselves, and for their heirs, successors, attorneys, agents, and assigns, release Defendants, and their officers, agents, and employees, from any liability to Relators arising from the filing of the Civil Action, except nothing herein shall be deemed as a release by the Relators of Defendants concerning their respective existing claims for costs, fees, and expenses pursuant to 31 U.S.C. § 3730(d). No agreement concerning reasonable expenses, attorneys' fees and costs has been reached to date. Defendants retain and are not releasing their

rights to contest on any basis any Relator's claims to an award of expenses, attorneys' fees, and costs.

7. Defendants waive and shall not assert any defenses Defendants may have to any criminal prosecution or administrative action relating to the Covered Conduct that may be based in whole or in part on a contention that, under the Double Jeopardy Clause in the Fifth Amendment of the Constitution, or under the Excessive Fines Clause in the Eighth Amendment of the Constitution, this Agreement bars a remedy sought in such criminal prosecution or administrative action.

8. Defendants fully and finally release the United States, its agencies, officers, agents, employees, and servants, from any claims (including attorney's fees, costs, and expenses of every kind and however denominated) that Defendants have asserted, could have asserted, or may assert in the future against the United States, its agencies, officers, agents, employees, and servants, related to the Covered Conduct and the United States' investigation and prosecution thereof.

9. Defendants fully and finally release the Relators from any claims (except attorney's fees, costs, and expenses of every kind and however denominated) that Defendants have asserted, could have asserted, or may assert in the future against the Relators, related to the Covered Conduct and any Relator's investigation and prosecution thereof.

10. The Settlement Amount shall not be decreased as a result of the denial of claims for payment now being withheld from payment by any Medicare contractor (e.g., Medicare Administrative Contractor, fiscal intermediary, carrier) or any other federal state payer, related to the Covered Conduct; and Defendants agree not to resubmit to any Medicare contractor or any other federal or state payer any previously denied claims related to the Covered Conduct, agrees not to appeal any such denials of claims, and agrees to withdraw any such pending appeals.

11. Defendants agree to the following:

a. Unallowable Costs Defined: All costs (as defined in the Federal Acquisition Regulation, 48 C.F.R. § 31.205-47; and in Titles XVIII and XIX of the Social Security Act, 42 U.S.C. §§ 1395-1395kkk-1 and 1396-1396w-5; and the regulations and official program directives promulgated thereunder) incurred by or on behalf of X, its present or former officers, directors, employees, shareholders, and agents in connection with:

- (1) the matters covered by this Agreement;
- (2) the United States' audit(s) and civil investigation(s) of the matters covered by this Agreement;
- (3) Defendants' investigation, defense, and corrective actions undertaken in response to the United States' audit(s) and civil investigation(s) in connection with the matters covered by this Agreement (including attorney's fees);
- (4) the negotiation and performance of this Agreement; and
- (5) the payment Defendants make to the United States pursuant to this Agreement and any payments that Defendants may make to Relators, including costs and attorneys' fees

are unallowable costs for government contracting purposes and under the Medicare Program, Medicaid Program, TRICARE Program, and Federal Employees Health Benefits Program (FEHBP) (hereinafter referred to as "Unallowable Costs").

b. Future Treatment of Unallowable Costs: Unallowable Costs shall be separately determined and accounted for by Defendants, and Defendants shall not charge such Unallowable Costs directly or indirectly to any contracts with the United States or any State Medicaid program, or seek payment for such Unallowable Costs through any cost report, cost

statement, information statement, or payment request submitted by Defendants or any of their subsidiaries or affiliates to the Medicare, Medicaid, TRICARE, or FEHBP Programs.

c. Treatment of Unallowable Costs Previously Submitted for Payment:

Defendants further agree that within 90 days of the Effective Date of this Agreement they shall identify to applicable Medicare and TRICARE fiscal intermediaries, carriers, and/or contractors, and Medicaid and FEHBP fiscal agents, any Unallowable Costs (as defined in this Paragraph) included in payments previously sought from the United States, or any State Medicaid program, including, but not limited to, payments sought in any cost reports, cost statements, information reports, or payment requests already submitted by Defendants or any of their subsidiaries or affiliates, and shall request, and agree, that such cost reports, cost statements, information reports, or payment requests, even if already settled, be adjusted to account for the effect of the inclusion of the Unallowable Costs. Defendants agree that the United States, at a minimum, shall be entitled to recoup from Defendants any overpayment plus applicable interest and penalties as a result of the inclusion of such Unallowable Costs on previously-submitted cost reports, information reports, cost statements, or requests for payment.

Any payments due after the adjustments have been made shall be paid to the United States pursuant to the direction of the Department of Justice and/or the affected agencies. The United States reserves its rights to disagree with any calculations submitted by Defendants or any of their subsidiaries or affiliates on the effect of inclusion of Unallowable Costs (as defined in this Paragraph) on Defendants or any of its subsidiaries or affiliates' cost reports, cost statements, or information reports.

d. Nothing in this Agreement shall constitute a waiver of the rights of the United States to audit, examine, or re-examine Defendants' books and records to determine that no Unallowable Costs have been claimed in accordance with the provisions of this Paragraph.

12. Defendants agree to cooperate fully and truthfully with the United States' investigation of individuals and entities not released in this Agreement. Upon reasonable notice, Defendants shall encourage, and agree not to impair, the cooperation of their directors, officers, and employees, and shall use their best efforts to make available, and encourage, the cooperation of former directors, officers, and employees for interviews and testimony, consistent with the rights and privileges of such individuals. Defendants further agree to furnish to the United States, upon request, complete and unredacted copies of all non-privileged documents, reports, memoranda of interviews, and records in their possession, custody, or control concerning any investigation of the Covered Conduct that they have undertaken, or that has been performed by another on their behalf.

13. This Agreement is intended to be for the benefit of the Parties only. The Parties do not release any claims against any other person or entity, except to the extent provided for in Paragraph 14 (waiver for beneficiaries paragraph), below.

14. Defendants agree that they waive and shall not seek payment for any of the health care billings covered by this Agreement from any health care beneficiaries or their parents, sponsors, legally responsible individuals, or third party payors based upon the claims defined as Covered Conduct.

15. Upon receipt of the payment described in Paragraph 1, above, the Parties shall promptly sign and file in the Civil Action a Joint Stipulation of Dismissal of the Civil Action pursuant to Rule 41(a)(1) in both actions.

16. Each Party shall bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.

17. Each Party and signatory to this Agreement represents that it freely and voluntarily enters in to this Agreement without any degree of duress or compulsion.

18. This Agreement is governed by the laws of the United States. The exclusive jurisdiction and venue for any dispute relating to this Agreement is the United States District Court for the Middle District of Florida. For purposes of construing this Agreement, this Agreement shall be deemed to have been drafted by all Parties to this Agreement and shall not, therefore, be construed against any Party for that reason in any subsequent dispute.

19. This Agreement constitutes the complete agreement between the Parties. This Agreement may not be amended except by written consent of the Parties.

20. The undersigned counsel represent and warrant that they are fully authorized to execute this Agreement on behalf of the persons and entities indicated below.

21. This Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same Agreement.

22. This Agreement is binding on Defendants' successors, transferees, heirs, and assigns.

23. This Agreement is binding on Relators' successors, transferees, heirs, and assigns.

24. All parties consent to the United States' disclosure of this Agreement, and information about this Agreement, to the public.

25. This Agreement is effective on the date of signature of the last signatory to the Agreement ("Effective Date" of this Agreement). Facsimiles and electronic transmissions of signatures shall constitute acceptable, binding signatures for purposes of this Agreement.

THE UNITED STATES OF AMERICA

DATED: _____

BY: _____

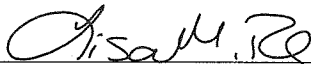
SARAH M. ARNI
BREANNA PETERSON
Trial Attorneys
Commercial Litigation Branch
Civil Division
United States Department of Justice

DATED: 10/21/20

BY:  _____

SEAN KEEFE
Assistant United States Attorney
United States Attorney's Office for the
Middle District of Florida

DATED: 10/21/2020

BY:  _____

LISA M. RE
Assistant Inspector General for Legal Affairs
Office of Counsel to the Inspector General
Office of Inspector General
United States Department of Health and Human Services

Dr. Kuchakulla Reddy - DEFENDANT

DATED: _____ BY: _____
Dr. Kuchakulla Reddy

DATED: 10/13/2020 BY: _____
Richard Brooderson
Counsel for Dr. Kuchakulla Reddy

Family Internal Medicine of Ocala - DEFENDANT

DATED: _____ BY: _____
Dr. Kuchakulla Reddy for Family Internal Medicine of
Ocala

DATED: 10/13/2020 BY: _____
Richard Brooderson
Counsel for Family Internal Medicine of Ocala

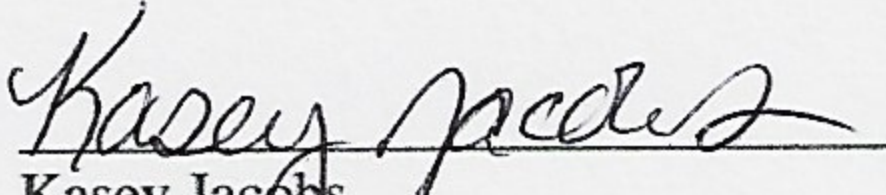
Internal Medicine Associates of Ocala - DEFENDANT

DATED: _____ BY: _____
Dr. Kuchakulla Reddy for Internal Medicine Associates of
Ocala

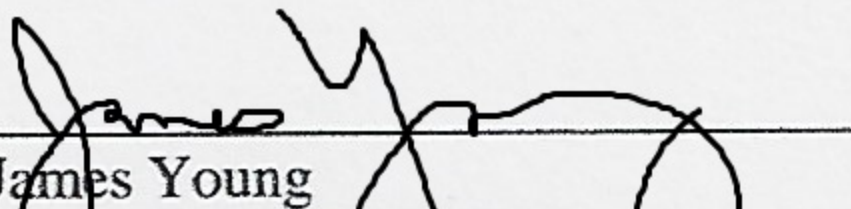
DATED: 10/13/2020 BY: _____
Richard Brooderson
Counsel for Internal Medicine Associates of Ocala

Kasey Jacobs- RELATOR

DATED: 9/23/2020

BY: 
Kasey Jacobs

DATED: 9/23/2020

BY: 
James Young
Counsel for Kasey Jacobs

James Hanes - RELATOR

DATED: _____

BY: _____
James Hanes

DATED: _____

BY: _____
James Young
Counsel for James Hanes

K Reddy

Kasey Jacobs- RELATOR

DATED: _____

BY: _____
Kasey Jacobs

DATED: _____

BY: _____
James Young
Counsel for Kasey Jacobs

James Hanes - RELATOR

DATED: 9/23/2020

BY: _____
James Hanes
James Hanes

DATED: 9/23/2020

BY: _____
James Young
James Young
Counsel for James Hanes

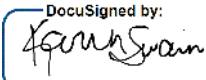
Katherine Brooks - RELATOR

DATED: 9/17/2020

BY: Katherine B
Katherine Brooks

Karen Swain - RELATOR

DATED: 9/20/2020

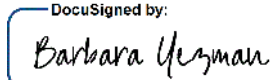
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Karen Swain

DATED: 9/18/2020

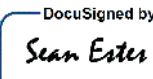
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Sean Estes
Counsel for Karen Swain

Barbara Mellott-Yezman - RELATOR

DATED: 9/20/2020

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Barbara Mellott-Yezman

DATED: 9/18/2020

BY: 
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Sean Estes
Counsel for Barbara Mellott-Yezman