

Combating Health Care Fraud in New Jersey

Background: A Focus on Health Care Fraud: In partnership with government agencies at the federal, state and local levels and with the help of the private sector, the U.S. Department of Justice is making historic progress in fighting health care fraud – a crime that can devastate lives, drive up costs for all patients and consumers and threaten the strength and integrity of our health care system. Nearly every American – whether covered by Medicare, Medicaid or private insurers – is affected.

Combating health care fraud is particularly important in New Jersey. More employees in New Jersey work in the health care and social assistance field than any other field, and the state is dense with biotech and pharmaceutical companies, durable medical equipment and device companies, home care agencies, hospitals and nursing homes.

New Jersey U.S. Attorney Paul J. Fishman reorganized the office's health care fraud practice near the beginning of his tenure to create a stand-alone Health Care and Government Fraud Unit. The unit handles both criminal and civil investigations and prosecutions of health care fraud offenses. Since 2010, the office has recovered more than **\$500 million** in health care fraud and government fraud settlements, judgments, fines, restitution and forfeiture under the False Claims Act, the Food, Drug and Cosmetic Act and other statutes.

The New Jersey U.S. Attorney's Office Aggressively Targets Corrupt Health Care Providers: Since its formation, the stand-alone unit has prosecuted **more than 35 doctors, nurses and physician assistants**, as well as a number of individuals who falsely claimed to be medical professionals.

Selected Case Examples

Jose Katz: Jose Katz, a well-known cardiologist, admitted to conspiring in a multimillion-dollar health care fraud scheme that was the largest to be perpetrated by a single practitioner in the tri-state area and subjected thousands of patients to unnecessary tests and potentially life-threatening, unneeded treatment, as well as treatment by unlicensed or untrained personnel. Katz, of Closter, N.J., pleaded guilty to one count of conspiracy to commit health care fraud and one count of Social Security fraud arising from a separate scheme to give his wife a "no show" job and make her eligible for Social Security benefits. He was sentenced in November 2013 to 78 months in prison. An unlicensed physician Katz used to diagnose and treat patients as part of the scheme was also convicted.

Biodiagnostic Laboratory Services LLC: The president of Parsippany, N.J.-based Biodiagnostic Laboratory Services LLC (BLS), is among the **18** defendants, including a number of doctors, who have admitted to a scheme in which millions of dollars in bribes were paid to physicians over a number of years in exchange for blood sample referrals. The ongoing investigation was first announced in June 2013.

The conspiracy made millions in illegal profits between 2006 and April of 2013. BLS made more than **\$100 million** from Medicare and private insurance companies – just from bills related to blood specimens sent to BLS by bribed doctors. BLS paid doctors millions of dollars – in cash or under the guise of sham lease, service and consulting agreements through an elaborate network of shell entities used for that purpose. The defendants also admitted that one component of the bribery scheme was to pay some doctors a fee per test to induce them to increase their ordering of certain tests. The ongoing investigation has already recovered more than **\$3 million**.

U.S. v. Orange Community MRI: Sixteen individuals, including **15** doctors or nurse practitioners have been charged in a scheme in which physicians accepted cash kickback payments from Orange Community MRI, a diagnostic facility, in exchange for their referral of Medicare and Medicaid patients. Many of the defendants were recorded taking envelopes of cash in exchange for their patient referrals. **Hundreds of thousands of dollars** have been recovered so far in ongoing collections as a result of this prosecution, first announced in December 2011.

Yousuf Masood et al.: Yousuf Masood of Warren, N.J., a doctor with a practice in Elizabeth, N.J., and the most prolific prescriber of medication to Medicaid patients in New Jersey, was sentenced in November 2011 to 43 months in prison and ordered to pay **more than \$1.8 million** in fines, forfeiture and restitution for operating a health care fraud scheme in which patients were exposed to treatment during **20,000 patient visits** from individuals posing as licensed physicians. Three of Masood's employees – including two unlicensed physician – were also convicted.

Holding Companies Accountable: The New Jersey U.S. Attorney's Office has worked with Department of Justice components and other partners to address illegal practices by entities in the health care industry that cost the taxpayer and have the potential to compromise patient care.

Selected Case Examples

Par Pharmaceutical Companies Inc.: New Jersey-based Par Pharmaceutical Companies Inc. pleaded guilty in federal court in March 2013 and agreed to pay **\$45 million** to resolve its criminal and civil liability in the company's promotion of its prescription drug Megace® ES for uses not approved as safe and effective by the Food and Drug Administration and not covered by federal health care programs. Par was required to pay the money in an **\$18 million** fine, **\$4.5 million** in criminal forfeiture and **\$22.5 million** to resolve its civil liability.

Maxim Healthcare Services Inc.: One of the nation's leading providers of home healthcare services entered into a settlement with the Justice Department to resolve criminal and civil charges relating to a nationwide scheme to defraud Medicaid programs and the Veterans Affairs program of more than **\$61 million**. Maxim was charged with

conspiracy to commit health care fraud and entered into a Deferred Prosecution Agreement (DPA) with the Department of Justice in September 2011. The agreement allowed Maxim to avoid a health care fraud conviction on the charges by complying with the DPA's requirements. Maxim agreed to pay **\$150 million** – the largest ever resolution in a home healthcare case – with **\$20 million** as a criminal penalty and more than **\$130 million** in civil settlements to settle federal False Claims Act claims.

Nine individuals – eight former Maxim employees, including three senior managers, and the parent of a former Maxim patient – pleaded guilty to felony charges arising out of the submission of fraudulent billings to government health care programs, the creation of fraudulent documentation associated with government program billings or false statements to government health care program officials regarding Maxim's activities.

Wright Medical Technology Inc.: Wright Medical Technology Inc. executed a DPA with the Justice Department in September 2010, consenting to institute and continue corporate compliance procedures and federal monitoring pursuant to a 12-month agreement. The government's criminal complaint alleged Wright used consulting agreements with orthopaedic surgeons as an inducement to use its artificial hip and knee reconstruction products. The monitorship was extended in September 2011 and ended in late 2012. The government recovered **\$7.9 million** as a result of the investigation and agreement.