

JUSTICE NEWS

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South Carolina Hospital to Pay \$17 Million to Resolve False Claims Act and Stark Law Allegations

The Lexington County Health Services District Inc. d/b/a Lexington Medical Center located in West Columbia, South Carolina, has agreed to pay \$17 million to resolve allegations that it violated the Physician Self-Referral Law (the Stark Law) and the False Claims Act by maintaining improper financial arrangements with 28 physicians, the Department of Justice announced today.

The Stark Law is intended to ensure that physician referrals are made based on the medical needs of the patients and are not tainted by certain financial arrangements. Thus, the Stark Law generally forbids a hospital from billing Medicare for certain services referred by physicians who have a financial relationship with the hospital unless that relationship falls within enumerated exceptions. The exceptions generally require, among other things, that the financial arrangements do not exceed fair market value, do not take into account the volume or value of any referrals and are commercially reasonable. In addition, arrangements with physicians who are not hospital employees must be set out in writing and satisfy a number of other requirements intended to insulate the referrals from financial considerations.

“This case demonstrates the United States’ commitment to ensuring that doctors who refer Medicare beneficiaries to hospitals for procedures, tests and other health services do so only because they believe the service is in the patient’s best interest, and not because the physician stands to gain financially from the referral,” said Principal Deputy Assistant Attorney General Benjamin C. Mizer, head of the Justice Department’s Civil Division.

The United States alleged that Lexington Medical Center entered into asset purchase agreements for the acquisition of physician practices or employment agreements with 28 physicians that violated the Stark Law because they took into account the volume or value of physician referrals, were not commercially reasonable or provided compensation in excess of fair market value.

Also as part of the settlement, Lexington Medical Center will enter into a Corporate Integrity Agreement (CIA) with the Department of Health and Human Services-Office of the Inspector General (HHS-OIG) that requires Lexington Medical Center to implement measures designed to avoid or promptly detect future conduct similar to that which gave rise to this settlement.

The settlement resolves allegations filed in a lawsuit by Dr. David Hammett, a former physician employed by Lexington Medical Center, in federal court in Columbia, South Carolina. The lawsuit was filed under the *qui tam*, or whistleblower, provisions of the False Claims Act, which permit private individuals to sue on behalf of the government for false claims and to share in any recovery. Dr. Hammett will receive approximately \$4.5 million of the recovered funds.

This civil settlement illustrates the government's emphasis on combating health care fraud and marks another achievement for the Health Care Fraud Prevention and Enforcement Action Team (HEAT) initiative, which was announced in May 2009 by the Attorney General and the Secretary of Health and Human Services. The partnership between the two departments has focused efforts to reduce and prevent Medicare and Medicaid financial fraud through enhanced cooperation. One of the most powerful tools in this effort is the False Claims Act. Since January 2009, the Justice Department has recovered a total of more than \$30 billion through False Claims Act cases, with more than \$18.3 billion of that amount recovered in cases involving fraud against federal health care programs."

The case was handled by the U.S. Attorney's Office for the District of South Carolina, the Civil Division's Commercial Litigation Branch and HHS-OIG.

The lawsuit is captioned *United States ex rel. Hammett v. Lexington County Health Services District*, Case No. 3:14-cv-03653 (D. S.C.). The claims settled by this agreement are allegations only; there has been no determination of liability.

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Topic:

Healthcare Fraud

Civil Division

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