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Attorney General Kamala D. Harris Announces \$241 Million Settlement with Quest Diagnostics

Press Release / Attorney General Kamala D. Harris Announces \$241 Million Set...

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SACRAMENTO --- Attorney General Kamala D. Harris today announced a \$241 million settlement - the largest recovery in the history of California's False Claims Act - with Quest Diagnostics, the state's biggest provider of medical laboratory testing, of a lawsuit alleging illegal overcharges to the state's medical program for the poor.

"In a time of shrinking budgets, this historic settlement affirms that Medi-Cal exists to help the state's neediest families rather than to illicitly line private pockets,' said Attorney General Harris. 'Medi-Cal providers and others who try to cheat the state through false claims and illegal kickbacks should know that my office is watching and will prosecute.'

The settlement with Quest is the result of a lawsuit filed under court seal in 2005 by a whistleblower and referred to the Attorney General's office. The lawsuit alleged that Quest systematically overcharged the state's Medi-Cal program for more than 15 years

and gave illegal kickbacks in the form of discounted or free testing to doctors, hospitals and clinics that referred Medi-Cal patients and other business to the labs.

California law states that 'no provider shall charge [Medi-Cal] for any service more than would have been charged for the same service to other purchasers of comparable services under comparable circumstance.' Yet, Quest charged Medi-Cal up to six times as much as it charged some other customers for the same tests. For example, Quest charged Medi-Cal \$8.59 to perform a complete blood count test, while it charged some of its other customers \$1.43.

California law also prohibits Medi-Cal providers from soliciting and receiving 'any kickback, bribe, or rebate, directly or indirectly, overtly or covertly, in cash or in valuable consideration of any kind [in] return for the referral, or promised referral, of any individual for the furnishing of any service' paid for by Medi-Cal.

According to the attorney general's complaint, Quest systematically offered doctors, hospitals and clinics low prices for lab tests in return for referrals to Quest of patients, including Medi-Cal patients. Quest then allegedly charged Medi-Cal a higher price to make up the difference - resulting in the loss of millions of dollars to the Medi-Cal program.

Under the state's False Claims Act, any person with previously undisclosed information about a fraud, overcharge, or other false claim can file a sealed lawsuit on behalf of California to recover the losses, and is entitled to a share of the recovery in some cases. Such individuals become plaintiffs and are known as 'whistleblowers,' 'qui tam plaintiffs,' or 'relators.'

In this case, the whistleblowers were Chris Riedel and his company Hunter Laboratories. Hunter Laboratories found it could not compete in a significant segment of the marketplace where major medical laboratories such as Quest offered doctors, hospitals

and clinics far lower rates than they were charging Medi-Cal. Riedel and Hunter were represented by Niall P. McCarthy of Cotchett, Pitre & McCarthy, LLP.

The Attorney General's Bureau of Medi-Cal Fraud and Elder Abuse conducted an intensive three-year investigation that uncovered widespread abuse of Medi-Cal by medical testing laboratories in California.

Based on allegations in the complaints, the California Department of Health Care Services, which administers the Medi-Cal program, launched an independent statewide audit of medical laboratories. Through reform of industry pricing practices stemming from this case, Medi-Cal is expected to save hundreds of millions of dollars.

"This agreement sends a strong message that fraud against the state and its Medi-Cal program will not be tolerated," said Toby Douglas, director of the Department of Health Care Services. "I commend our department's employees and the Department of Justice for working successfully in pursuit of compensation and justice for the state and its important health care programs."

Besides providing compensation to the whistleblower under statutory guidelines, the settlement is designed to reimburse the state's Medi-Cal program and the Attorney General for expenses in investigating and prosecuting false claims actions. The total that will flow to the state is \$171 million.

The settlement also requires Quest to report information to assist the state in determining Quest's future compliance with Medi-Cal's pricing rules.

Similar cases are still pending against four other defendants, including Laboratory Corporation of America, commonly known as LabCorp, the second largest medical laboratory service provider in California. Trial is scheduled for early next year.

Also assisting in the case was the Office of the Inspector General of the U.S. Department of Health and Human Services.

Among those in the Attorney General's office who were instrumental in this case: Aviva Burmas, Doug Cantrell, Sharon Crotteau, Vincent DiCarlo, Dennis Fenwick, J. Timothy Fives, Brian Frankel, Alissa Gire, Jennifer Gregory, David Guon, Sharon Harris, Brian Keats, Eileen Landon, Linda McCrackin, Larry Menard, Kelli O'Neill, Susan Park, Kim Reed, Marcy Rodriguez, James Shannon, Annette Silva, Jill Spitz, Tom Temmerman, Claude Vanderwold, Kenneth Vo, Lawrence Wold, Mark Zahner, and Gary Zerbey.

A copy of the original complaint can be found at http://oag.ca.gov/news/press_release?id=1705&y=2009.

To report fraud or abuse, call the Bureau of Medi-Cal Fraud and Elder Abuse hotline at (800) 722-0432.

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 n2518_quest_settlement.pdf	627.85 KB