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Hilton Head Hospital has been named in a whistleblower lawsuit alleging that the hospital paid kickbacks to a clinic that directed expectant, undocumented mothers living in the United States to the hospital as a way to increase Medicaid revenue. The federal qui tam lawsuit was recently unsealed, meaning that the allegations therein were made public. The lawsuit alleges that the hospitals, operated by Tenet Healthcare Corp., paid clinics to recruit pregnant, undocumented Hispanic women for prenatal care, then referred them to the hospitals for deliveries and newborn care at Medicaid's expense. The prenatal care clinics were operated by a firm called Hispanic Medical Management.

Federal and state laws prohibit hospitals from paying to have patients referred to them if the patients' care will be paid for with federal healthcare programs, including Medicare and Medicaid. Undocumented individuals are not eligible for Medicaid coverage except in emergencies. In the event of an emergency condition, including childbirth, hospitals can be reimbursed for care of undocumented persons.

In the whistleblower lawsuit, attorneys with the U.S. Department of Justice and the State of Georgia contend that the hospital's objective was to increase income from Medicaid-covered deliveries by offering kickbacks to clinics for referrals by doctors with admitting privileges. The whistleblower is a former Chief Financial Officer for Walton Regional Medical Center, an HMA-owned hospital in Monroe, Georgia. The whistleblower discovered the payments to the clinics in 2009.