MARTIN & JONES PLLC
Attorneys at Law

Dignity Health has agreed to pay the United States $37 million to settle allegations that 13 of its hospitals in California, Nevada and Arizona defrauded Medicare and TRICARE by admitting patients who could have been treated on a less costly out-patient basis. Dignity Health is based in San Francisco and is one of the five largest hospital systems in the country, with 39 hospitals in three states.

The settlement resolves claims that 13 Dignity Health hospitals knowingly overcharged Medicare and TRICARE for in-patient services for patients who should have been treated on an out-patient basis, which would have resulted in substantially lesser charges submitted to the government-funded health programs. The admission of patients who do not need in-patient care can result in substantial financial losses to federal healthcare programs.

The United States alleged that during the period 2006 through 2010, 13 Dignity hospitals billed Medicare and TRICARE for in-patient care for certain patients who underwent elective cardiovascular procedures (e.g., stents, pacemakers) in scheduled surgeries when the claims should have been billed as out-patient procedures. Additionally, between 2000 and 2008, four of the hospitals billed Medicare for patients undergoing elective kyphoplasty procedures, which are minimally-invasive and performed to treat certain spinal compression fractures that should have been billed as less costly out-patient procedures. Finally, the government asserted that from 2006 through 2010, Dignity hospitals admitted patients for common medical diagnoses where admission as an in-patient was medically unnecessary and appropriate care could have been provided in a less costly out-patient or observation setting.

In addition to the payment of $37 million to the government, Dignity Health will enter into a corporate integrity agreement with the U.S. Department of Health and Human Services-Office of Inspector General requiring the company to engage in significant compliance efforts over the next five years. The settlement resolves a lawsuit filed in the U.S. District Court for the Northern District of California by a former employee of Dignity Health under the qui tam ("whistleblower") provisions of the False Claims Act, which permit private citizens to bring lawsuits on behalf of the United States and obtain a portion of the government's recovery. In this case, the whistleblower will receive approximately $6.25 million.

The False Claims Act is an important weapon in combating fraud committed against the government. Since January 2009, the Justice Department has recovered a total of more than $23 billion through False Claims Act cases, with more than $14.8 billion of that amount recovered in cases involving fraud against federal healthcare programs.
