

Breaking Legal NEWS For Immediate Release

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Healthcare Fraud Qui Tam Whistleblower

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Mount Vernon Hospital Settles Whistleblower Charges of Operating an Unlicensed Alcoholism Treatment Facility and “Patient Brokering;” Agrees To Pay Government \$2.65 Million; It Received “Several Millions” From Medicaid For Treating Substance Abuse Patients Illegally Referred by Consultant That Received Approximately \$60,000 Per Month In Kickbacks, According To Complaint

NEW YORK CITY — A New York hospital today agreed to pay \$2.65 million to settle charges that over a seven-year period it operated an unlicensed alcoholism treatment facility which took in several million dollars in Medicaid payments and kicked back approximately \$60,000 per month to a firm that “brokered” the patients referred to it, according to attorneys Timothy J. McInnis and David A. Koenigsberg, who represent the whistleblower who brought the healthcare fraud allegations to the Government.

The Mount Vernon Hospital (“MVH”), 12 North Seventh Avenue, Mt. Vernon, NY, also agreed to enter into a Corporate Integrity Agreement with the U.S. Department of Health and Human Services, according to a Settlement Agreement among the Government, MVH and the whistleblower.

The Agreement, approved today by U.S. District Judge Kimba M. Wood, dismisses a federal civil Complaint unsealed by the U.S. Attorney’s Office for the Southern District of New York, which formally joined the whistleblower suit against MVH, according to McInnis, a former federal prosecutor now in private practice who concentrates in qui tam whistleblower cases brought under the federal False Claims Act (“FCA”).

According to the Complaint, Applied CaseManagement, Inc. (“Applied”), engaged in an “illegal contractual arrangement” with the hospital and “referred large numbers of Medicaid patients” for which it received kickbacks, in violation of federal and state laws.

MVH was not licensed by New York State to operate an alcohol or substance abuse facility during the period it was paying kickbacks to Applied, the Complaint states. Payments for patients (called “patient brokering fees”) are kickbacks and illegal under Federal Medicare and Medicaid regulations and New York State laws. Because the facility was unlicensed, MVH was not eligible to obtain Medicaid reimbursement.

(More)

Hospital payments to the consulting firm were disguised as administrative services, i.e. “consulting fees,” under a sham consulting contract crafted to avoid federal anti-kickback laws and state regulatory scrutiny. Patient brokering kickbacks also violate the FCA by defrauding the Medicaid program, according to the Complaint.

Today’s settlement is the latest milestone in a qui tam whistleblower suit filed under seal nearly five years ago by McInnis and Koenigsberg, both of whom are in private practice in New York City. Koenigsberg was a federal prosecutor who specialized in FCA cases before entering private practice. Similar allegations of patient brokering and kickbacks brought by the whistleblower were settled in January 2005 by Catskill Regional Medical Center when it agreed to pay \$1.5 million to the Government.

The whistleblower in this case was identified in the Settlement Agreement as an employee of a company related to Applied. Legally, the whistleblower is known as the “relator.” Under the FCA, qui tam actions allow private citizens with knowledge of fraud to help the Government recover ill-gotten gains and additional civil penalties. The FCA allows the Government to collect up to three times the amount it was defrauded, in addition to civil penalties from \$5,500 to \$11,000 per false claim. “Qui tam” is a term derived from English Common Law meaning “he who sues on behalf of the king as well as himself.”

Under the settlement agreement the whistleblower will receive 20 percent of the settlement, \$530,000, for bringing the matter to the Government. MVH, in addition, will pay the whistleblower’s legal fees in the matter. In successful qui tam whistleblower cases in which the Government intervenes in private actions relators usually have received awards representing 15-to-25 percent of qui tam recoveries, Koenigsberg noted.

“The agreement is neither an admission of liability, wrongdoing, or improper conduct by MVH nor a concession by the United States that its claims are not well founded,” the Settlement Agreement states.

The U.S. Attorney's Office for the Southern District of New York, under the direction of U.S. Attorney David N. Kelly, is represented by Assistant U.S. Attorney Ramon Reyes, of the office’s Civil Division.

Contact Information

For public documents in this case contact Attorneys Koenigsberg or McInnis (see below) or visit <http://www.PRforLAW.com> for possible postings.

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