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**Health fraud charges settled
Catholic hospital system agrees to pay \$10.25 million.**

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By Denny Walsh

Bee Staff Writer

--The largest Catholic hospital system in the Western states has agreed to pay the federal government \$10.25 million to settle a whistle-blower's allegations that its Sacramento branch lied on Medicare and Medi-Cal claims.

Under the terms of a deal announced Wednesday by U.S. Attorney John Vincent, San Francisco-based Catholic Healthcare West and Mercy Healthcare Sacramento admit no wrongdoing.

"We are committed to complying with all applicable government rules and regulations," said William J. Hunt, CHW's chief operating officer for the Sacramento area.

Vincent said the case demonstrates his office's intolerance for Medicare billing fraud.

The toughest words came from Assistant U.S. Attorney Michael Hirst, who handled the matter with Assistant U.S. Attorney Adisa Abudu-Davis.

"This is a case of systematic submissions of false claims," Hirst said. "The evidence showed a deliberate choice, made at the highest levels, not to disclose" Medicare overpayments. "The whistle-blower was told not to discuss the false billings with anyone."

In accordance with the federal False Claims Act, whistle-blower George Baca will receive nearly \$2 million as his share of the settlement.

Among the false billings alleged and covered by the settlement are:

- * Claims for nonreimbursable annual physical exams.
- * Claims that depict routine physician referrals as more expensive consultations.
- * Claims for undocumented lab work and other ancillary services.

Hunt characterized the matter as a series of "billing errors involving two of our affiliates" and said that CHW and Mercy cooperated with the prosecutors throughout a three-year investigation.

Claims records were reviewed, and questions were raised, "but we don't believe those statistics were valid," Mercy spokeswoman Jill Dryer said. "When the government weighed in, we cooperated fully, were able to come up with some valid numbers and resolved the issue."

CHW is the largest nonprofit health care provider in California. Mercy operates six hospitals in Sacramento, Yolo and Nevada counties.

Medicare is a federally subsidized health-insurance system for people 65 or older. The United States reimburses 80 percent of the reasonable cost of services to the beneficiary or the provider.

Medi-Cal is a federally assisted grant program that enables states to provide health care to the poor.

California will receive \$465,188 from the settlement announced Wednesday.

Baca, a veteran claims administrator, went to work at the end of 1995 for Woodland Healthcare as executive director of patient business services. The company was then operating a hospital, surgery center and clinic in Woodland. Six months later, it was acquired by CHW, and Mercy took over its operations.

During the spring and summer of 1996, Baca spoke to the top officers at Woodland Healthcare about what he considered inflation of Medicare claims and documentation problems, a lawsuit he later filed said. He was told that CHW knew of the problem and had set aside about \$1 million during the course of the acquisition in case Medicare discovered the overpayments and demanded restitution, the suit said.

After the acquisition, Baca said in the suit, he told D. Scott Ideson, a Mercy senior vice president who had become interim chief executive officer at Woodland, about the systematic overcharging. He says Ideson instructed him on several occasions "not to communicate with anyone else, either in writing or orally, concerning compliance or Medicare billing issues."

Not true, said Ideson, from his home near Park City, Utah.

"I told Mr. Baca to direct his information to the internal compliance officer and to make sure the matter was properly and thoroughly investigated," said Ideson, who now develops and promotes new health care insurance products.

Attorney **Charles Stevens** said recently that Baca, who was aware that Stevens and partner George O'Connell are former U.S. attorneys, contacted their Sacramento firm in 1997 seeking guidance on how to report the ongoing fraud.

He was directed to Hirst, and the Stevens firm filed a False Claims Act suit on Baca's behalf in March 1998.

The U.S. Attorney's Office took over the case after investigation turned up evidence that, between 1992 and 1999, Woodland Clinic Medical Group and another CHW division, Medical Clinic of Sacramento, "submitted large numbers of false claims to inflate reimbursement from the Medicare, Medi-Cal and military dependents' health insurance programs," Hirst said.

Baca, 47, now works for a health care provider in another state, Stevens said.

"He was not looking for a quick buck," the attorney said. "He just decided his objections had been ignored long enough, and felt he had an ethical and legal obligation to come forward."

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