

NEWS RELEASE
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\$10 million settlement announced in health care fraud whistleblower lawsuit

PHILADELPHIA - The United States Department of Justice and the New York Attorney General have reached a \$10 million settlement in a newly unsealed health care fraud case against Sorkin's Rx, Ltd. a/k/a CareMed Pharmaceutical Services ("CareMed"), a national specialty pharmacy based in Nassau County, New York. Kline & Specter and co-counsel Joseph Trautwein & Associates represent the whistleblower who filed the lawsuit, a former CareMed employee who will receive \$1,850,000 pursuant to the settlement.

The whistleblower's complaint alleged that CareMed engaged in a number of fraudulent practices in connection with its sale of expensive prescription medications to Medicare and Medicaid beneficiaries. In order for certain medications to be covered under Medicare Part D plans and New York Medicaid, prescribing physicians must obtain "prior authorization" by providing information establishing that medical necessity criteria have been met. The whistleblower's complaint alleges that, in order to secure fast and favorable prior authorization determinations, CareMed trained its employees to pose as if they were calling from the prescribing physicians' offices and to provide fabricated patient clinical information that satisfied coverage criteria. The complaint also alleged that CareMed re-stocked and re-sold unused medications and failed to reverse claims submitted for unused or unnecessary prescription refills.

The whistleblower's suit was filed in 2012 and led to an investigation by the United States Attorney's Office for the Southern District of New York, the United States Department of Health and Human Services, and the New York Attorney General's Medicaid Fraud Unit. The investigation culminated in the settlement agreement announced today in which CareMed admits, among other things, that from January 2009 through December 2012, some representatives falsely stated that they were calling from prescribing physician's office and provided clinical information based on their understanding of the coverage criteria rather than the patient's actual clinical information.

David J. Caputo, a Kline & Specter partner and lead counsel for the whistleblower, said: "The settlement announced today is an important victory for the Medicare prescription drug benefit program. Prior authorization procedures exist to ensure that government and private health insurance plans provide coverage for medications that are medically necessary and not contraindicated. CareMed's fraudulent scheme undermined these important objectives for the sake of maximizing profits."

Caputo, Trautwein, and their co-counsel, David C. Williams, also of Kline & Specter, praised the efforts in particular of Assistant United States Attorney Jeffrey K. Powell of the United States Attorney's Office for the Southern District of New York and Special Assistant Attorney General Jill D. Brenner of the New York Attorney General's Medicaid Fraud Unit.

Caputo added: "Private citizens of conscience are the first line of defense in the fight against fraud in our health care system. We applaud the government for its thorough investigation of our client's allegations and for the substantial settlement achieved as a result. This case demonstrates once again what whistleblowers, their attorneys, and their partners in the government can accomplish when working together to combat fraud."

Kline & Specter is a Philadelphia-based law firm with more than 30 attorneys handling personal injury and whistleblower cases nationwide. For more information see www.klinespecter.com