



Tucson hospitals pay \$35 million in fraud settlement

Dennis Wagner, The Republic | azcentral.com

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A Tucson health-care network accused of Medicare fraud has agreed to pay a \$35 million settlement — the largest penalty of its kind in Arizona — and a whistle-blower who exposed the case will receive nearly \$6 million of that sum.

The Carondelet Health Network, which runs Tucson's St. Mary's and St. Joseph's hospitals, did not admit to wrongdoing but agreed to the payout to end a civil complaint from the Department of Justice and a Tucson woman named Jacqueline Bloink.

According to settlement papers, from 2004 to 2011, the hospitals charged state and federal health-care agencies for inpatient rehabilitation services that were not reimbursable, collecting unspecified millions of dollars.

"This settlement is the largest-ever False Claims Act recovery in Arizona, and it reflects the longstanding and ongoing efforts of our office to guard the vital but limited funding of federal health care programs," U.S. Attorney John Leonardo said.

Officials at Carondelet could not be reached for comment Monday evening, but a corporate statement issued via e-mail says unsupported billings were uncovered in 2010 "through its own internal review procedures." As a result, Carondelet repaid \$24 million to the government and implemented "new protocols and processes."

According to court papers, the hospitals were accused of filing fraudulent expenses with Medicare, the Federal Employee Health Benefit Program and the Arizona Health Care Cost Containment System.

Bloink, identified online as president of an agency that provides health-care compliance consulting and fraud investigations, filed a civil complaint against Carondelet in 2011 in U.S. District Court in Tucson. The Justice Department intervened and said Carondelet "knowingly and falsely billed" the federal health agencies, according to a U.S. Attorney's Office news release.

The False Claims Act contains provisions that allow private citizens to file fraud complaints on behalf of the government and to share in whatever funds are recovered. Under terms of the settlement, Bloink is to receive \$5.95 million.

"This settlement is an extraordinary achievement and confirms once again the essential role that private whistle-blowers and their counsel play in helping our partners in the government to combat health-care fraud," **David J. Caputo**, one of Bloink's attorneys, said in a written statement. "Our client is a person of tremendous integrity, and it took great courage for her to file this suit."

According to a U.S. Attorney's Office release, Carondelet disclosed some overpayments while it was under investigation by the Department of Health and Human Services inspector general and made "a substantial repayment." But Justice Department officials remained concerned that Carondelet's disclosures and payments were not timely or adequate.

The Carondelet statement says no patients were harmed and no care was compromised as a result of the billing issues.

"We hold ourselves accountable to the highest standards of integrity," said James Beckmann, president and chief executive officer. "I commend our leadership team who reviewed, audited and voluntarily disclosed our past billing discrepancies."

Carondelet's website describes the nonprofit organization as southern Arizona's "leading provider of health care services" and the area's largest Catholic medical system, with nearly 4,300 employees and associates. It was founded more than 130 years ago by the Sisters of St. Joseph of Carondelet and incorporated in 1956.

According to Carondelet's most recent available federal disclosure, the corporation's 2012 budget totaled \$493 million. In addition to St. Joseph's and St. Mary's, the network includes Carondelet Holy Cross Hospital in Nogales. The health-care system tallied 10,005 inpatient surgeries and 15,610 outpatient surgeries during 2012, according to its website.