



Department of Justice

United States Attorney Brian J. Stretch
Northern District of California

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GENESIS HEALTHCARE, INC. AGREES TO PAY FEDERAL GOVERNMENT \$53.6 MILLION TO RESOLVE ALLEGATIONS OF MEDICALLY UNNECESSARY REHABILITATION THERAPY AND HOSPICE SERVICES

SAN FRANCISCO- The Justice Department announced today that Genesis Healthcare, Inc. (Genesis) will pay the federal government \$53,639,288.04, including interest, to settle six federal lawsuits and investigations regarding the submission of false claims for medically unnecessary therapy and hospice services, and grossly substandard nursing home care. Genesis, headquartered in Kennett Square, Pennsylvania, owns and operates through its subsidiaries skilled nursing facilities, assisted/senior living facilities, and a rehabilitation therapy business. According to the allegations in the lawsuits, companies and facilities acquired by Genesis violated the False Claims Act. The settlement announced today resolves the claims and investigations into the allegations.

“We are committed to protecting the federal health care programs and the patients who are enrolled in them,” said U.S. Attorney Brian J. Stretch. “We will continue to vigorously pursue companies and individuals who provide care that is grossly deficient or unnecessary.”

“We will continue to hold health care providers accountable if they bill for unnecessary or substandard services or treatment,” said Acting Assistant Attorney General Chad A. Readler of the Justice Department’s Civil Division. “Today’s settlement demonstrates our unwavering commitment to protect federal health care programs against unscrupulous providers.”

This settlement resolves four sets of allegations. First, the settlement resolves allegations involving Skilled Healthcare Group, Inc. (SKG) and its subsidiaries (collectively, the Skilled Companies). Specifically, the settlement resolves allegations that from April 1, 2010 through March 31, 2013, SKG and its subsidiaries Skilled Healthcare, LLC (Skilled LLC) and Creekside Hospice II, LLC knowingly submitted or caused to be submitted false claims to Medicare for services performed at the Creekside Hospice facility in Las Vegas, Nevada by: (1) billing for hospice services for patients who were not terminally ill and so were not eligible for the Medicare hospice benefit and (2) billing inappropriately for certain physician evaluation management services.

Second, this settlement resolves allegations that from January 1, 2005 through December 31, 2013, SKG and its subsidiaries Skilled LLC and/or Hallmark Rehabilitation GP, LLC knowingly submitted or caused to be submitted false claims to Medicare, TRICARE, and Medicaid at certain facilities by providing therapy to certain patients longer than medically necessary, and/or billing for more therapy minutes than the patients actually received. The settlement also resolves allegations that those companies fraudulently assigned patients a higher Resource Utilization Group (RUG) level than necessary. Medicare reimburses skilled nursing facilities based on a patient's RUG level, which is supposed to be determined by the amount of skilled therapy required by the patient.

Third, this settlement resolves allegations that from January 1, 2008, through September 27, 2013, Sun Healthcare Group, Inc., SunDance Rehabilitation Agency, Inc., and SunDance Rehabilitation Corp. (collectively, the Sun Companies) knowingly submitted or caused the submission of false claims to Medicare Part B by billing for outpatient therapy services provided in the State of Georgia that were (1) not medically necessary or (2) unskilled in nature.

Finally, this settlement resolves allegations that between September 1, 2003, and January 3, 2010, Skilled LLC submitted false claims to the Medicare and Medi-Cal programs at certain of its nursing homes for services that were grossly substandard and/or worthless and therefore ineligible for payment. More specifically, the settlement resolves allegations that Skilled LLC violated certain essential requirements that nursing homes are required to meet to participate in and receive reimbursements from government healthcare programs and failed to provide sufficient nurse staffing to meet residents' needs.

The Skilled Companies were acquired by Genesis after the conduct at issue in this settlement. The Sun Companies were acquired by Genesis in December 2012.

“Safeguarding federal health care programs and patients is a priority,” said Acting U.S. Attorney for the District of Nevada Steven W. Myhre. “Today’s settlement is an example of the U.S. Attorney’s Office’s commitment to holding medical providers accountable for fraudulent billing of medically unnecessary treatments and services. We are committed to protecting federal health care programs, including Medicare, TRICARE, and Medicaid, which are funded by taxpayer dollars.”

“Health care providers that falsify claims for unauthorized or unnecessary services steal precious taxpayer dollars, and we will aggressively seek to recover those funds for the program that needs them,” said U. S. Attorney for the Northern District of Georgia John Horn.

“It’s disturbing when health care companies bill Medicare and Medicaid to care for vulnerable patients, but provide grossly substandard care and medically unnecessary services just to boost company profits,” said Special Agent in Charge Steven J. Ryan of the Department of Health and Human Services, Office of Inspector General. “We will continue to crack down on medical providers who betray the public’s trust and the needs of vulnerable patients through fraudulent billing and irresponsible practices.”

“At a time when the cost of healthcare weighs heavy on many taxpayers, it is imperative that people who illegally bill our healthcare system are held accountable and forced to pay restitution,” said FBI Atlanta Special Agent in Charge David J. LeValley. “This case is an example of how committed the FBI and its partners are to keeping healthcare providers from abusing the system.”

The settlement, which was based on the company’s ability to pay, resolves allegations originally brought in lawsuits filed under the qui tam, or whistleblower, provisions of the False Claims Act by Joanne Cretney-Tsosie, Jennifer Deaton, Kimberley Green, Camaren Hampton, Teresa McAree, Terri West, and Brian Wilson, former employees of companies acquired by Genesis. The act permits private parties to sue on behalf of the government for false claims for government funds and to receive a share of any recovery. The government may intervene and file its own complaint in such a lawsuit. In this case, the whistleblowers will receive a combined \$9.67 million as their share of the recovery.

The claims resolved by the settlement are allegations only; there has been no determination of liability.

The Northern District of California case is docketed as *United States, ex rel. West v. Skilled Healthcare Group Inc., et al.*, 11-02658-ED (N.D. Cal.). Assistant United States Attorneys Kimberly Friday, Erica Blachman Hitchings, and Gioconda Molinari, with the assistance of Tina Louie, handled the West case and a related investigation. Additional docketed matters include *United States, ex rel. Cretney-Tsosie v. Creekside Hospice II, LLC*, 2:13-cv-167-HDM (D. Nev.); *United States ex rel. McAree v. SunDance Rehabilitation Corp.*, 1:12-CV-4244 (N.D. Ga.); *United States ex rel. Deaton v. Skilled Healthcare Group, Inc. et al.*, Civ. 4:14-cv-00219 (W.D. Mo.); and *United States ex rel. Wilson v. Skilled Healthcare Group, Inc. et al.*, Civ. 14-cv-860 (W.D. Mo.). This case is the result of an investigation by the U.S. Attorneys’ Offices for the Northern District of California, the Northern District of Georgia, the Western District of Missouri, and the District of Nevada; the Department of Health and Human Services, Office of Inspector General; the U.S. Department of Justice Civil Division’s Commercial Litigation Branch; and the Department of Defense’s Defense Criminal Investigative Service.

If you have concerns about care being provided at a nursing home in California, you can contact the California Long Term Care Ombudsman at 1-800-231-4024, or your Local Long Term Ombudsman. A directory of local services can be found at

<https://www.aging.ca.gov/programs/lcop/>. You can also contact the United States Attorney's Office for the Northern District of California at <https://www.justice.gov/usao-ndca/elder-justice-task-force> or 1-415-436-7102.

Further Information:

A copy of this press release may be found on the U.S. Attorney's Office's website at www.usdoj.gov/usao/can.

Electronic court filings and further procedural and docket information for the Northern District of California are available at <https://ecf.cand.uscourts.gov/cgi-bin/login.pl>.

Judges' calendars with schedules for upcoming court hearings can be viewed on the court's website at www.cand.uscourts.gov.

All press inquiries to the U.S. Attorney's Office should be directed to Abraham Simmons at (415) 436-7264 or by e-mail at Abraham.Simmons@usdoj.gov.