Department of Justice

United States Attorney Brian J. Stretch
Northern District of California

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THE UNITED STATES SETTLES FALSE CLAIMS ACT CASE WITH NURSING HOME COMPANY TO SETTLE ALLEGATIONS OF MEDICALLY UNNECESSARY REHABILATION THERAPY SERVICES

North American Health Care, Inc. To Pay $28.5 Million, and Executives to Pay an Additional $1.5 Million

SAN FRANCISCO- North American Health Care, Inc. (NAHC), its chairman of the board, John Sorenson, and its senior vice president of Reimbursement Analysis, Margaret Gelvezon, have agreed to pay a total of $30 million to resolve allegations that they violated the False Claims Act by causing the submission of false claims to government health care programs for medically unnecessary rehabilitation therapy services provided to residents at NAHC's skilled nursing facilities (SNFs), announced United States Attorney Brian J. Stretch. Under the settlement agreement, NAHC will pay $28.5 million. Mr. Sorensen has agreed to pay $1 million and Ms. Gelvezon has agreed to pay $500,000.

NAHC is a private, for-profit company headquartered in Orange County, California, that has service agreements to operate 35 SNFs, most of them in California, that provide inpatient rehabilitation services, including physical, occupational, and speech therapy. The United States contends that NAHC caused false claims to be submitted to Medicare and TRICARE for medically unnecessary rehabilitation therapy services provided to residents of the NAHC nursing homes, including keeping the residents at the SNFs longer than necessary. The United States

alleged that this conduct occurred during the period from January 21, 2005 to October 31, 2009 for the 35 SNFs, and continued during the period of November 1, 2009 to December 3, 2011, for three of the SNFs located in the Northern District of California: Apple Valley Convalescent, Petaluma Care and Rehab, and Linda Mar Care Center.

The United States also contends that Mrs. Gelvezon, in her capacity as an officer of NAHC, contributed to this conduct by creating the improper billing scheme, and that Mr. Sorensen, in his capacity as a Chairman of the Board of NAHC, reinforced this scheme at the NSFs.

In addition to the monetary settlement, NAHC has also entered into a five-year Corporate Integrity Agreement with the U.S. Department of Health and Human Services Office of Inspector General (HHS-OIG) which applies to all facilities managed by NAHC and requires an independent review organization to annually review therapy services billed to Medicare.

"This office is committed to safeguarding the federal health care programs and the patients who are enrolled in them. Skilled nursing facilities such as NAHC treat some of the most vulnerable patients in the health care system. These facilities, and the individuals who run them, must be held accountable when they provide treatment based on financial motivations instead of the patients' needs," said Brian J. Stretch, United States Attorney for the Northern District of California.

"Medicare patients and those insured by TRICARE are entitled to receive care necessary for their clinical needs and not the financial needs of their health providers," said Principal Deputy Assistant Attorney General Benjamin C. Mizer, head of the Justice Department's Civil Division. "Health care providers will be held accountable if they bill for unnecessary services or treatment."

"Providing medically unnecessary services to this fragile population can be taxing both for the patient and the program," said Department of Health and Human Services-Office of the Inspector General (HHS-OIG) Special Agent in Charge Steven Ryan. "Today's settlement should send a message to others engaging in these schemes that we will pursue justice for our beneficiaries and the programs."

Special Agent in Charge Chris Hendrickson, of the Defense Criminal Investigative Service (DCIS) Western Field Office, commented for TRICARE, "DCIS and our law enforcement partners will steadfastly pursue those who violate the public's trust by corrupting the federal health care system, to include the Department of Defense TRICARE program. Health care fraud compromises the well-being of the general public and undermines the efforts of the Department of Defense to support our men and women in uniform." TRICARE is a United States health benefit plan for uniformed personnel, retirees, their dependents and reserve components.

FBI Special Agent in Charge John F. Bennett said, "this settlement reinforces the FBI San Francisco Division's commitment to working with our law enforcement partners to pursue those who seek to harm the integrity of our federal health care programs for personal gain.

Programs such as TRICARE and Medicare are in place to treat and take care of members of our community including our servicemen, servicewomen and their loved ones and the elderly. We will not tolerate such a gross violation of public trust," said Special Agent in Charge John F. Bennett.

Assistant United States Attorney Gioconda Molinari handled the case with the assistance of Paralegal Lucille Yee. This case is the result of an investigation by the U.S. Attorney's Office, the Civil Division's Commercial Litigation Branch of the U.S. Department of Justice, the Federal Bureau of Investigation, and HHS-OIG, and DCIS.

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

Further Information:

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

A copy of the CIA can be found at http://oig.hhs.gov/compliance/corporate-integrity-agreements/cia-documents.asp#cia_list

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