



## U. S. Department of Justice

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### **AMERIGROUP TO END APPEAL AND PAY \$225 MILLION TO UNITED STATES AND ILLINOIS TO SETTLE PREGNANCY DISCRIMINATION CASE**

CHICAGO – Amerigroup Corporation has agreed to end a pending appeal and pay \$225 million to resolve claims that it defrauded the Illinois Medicaid program, federal and state officials announced today. The settlement resolves allegations, and subsequent findings by a federal jury and a judge, that Amerigroup and its former Illinois subsidiary systematically avoided enrolling pregnant women and other high-risk patients in their managed care program in Illinois. Amerigroup, which is based in Virginia Beach, Virginia, and operates managed health care plans nationwide, was appealing a March 2007 judgment to pay \$334 million. The settlement, which replaces the judgment, remains the largest ever award in a federal health care fraud case in the Northern District of Illinois, announced Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois, Gregory K. Katsas, Assistant Attorney General for the Civil Division of the U.S. Department of Justice, and Illinois Attorney General Lisa Madigan.

Amerigroup announced its intention to settle the case on July 22 but the 22-page settlement agreement was signed by all parties just yesterday, the officials said.

A federal jury in October 2006 found Amerigroup Corporation and Amerigroup Illinois, Inc., liable under the federal False Claims Act and the Illinois Whistleblower Reward and Protection Act

for systematic and extensive fraud in the Medicaid program, which is jointly funded by the federal and state governments. The jury awarded the United States and the State of Illinois \$48 million in damages, which was automatically tripled under the state and federal statutes to \$144 million. In March 2007, U.S. District Judge Harry Leinenweber imposed additional civil penalties of \$10,500 on each of 18,130 false claims, for a total of more than \$190 million, increasing Amerigroup's total liability to \$334,365,000.

Amerigroup filed an appeal of the \$334 million judgment in the 7<sup>th</sup> U.S. Circuit Court of Appeals. As part of today's settlement, Amerigroup will dismiss its appeal, and has agreed to enter into a corporate integrity agreement with the Office of Inspector General for the United States Department of Health and Human Services. The settlement is neither an admission of liability by Amerigroup nor a concession by the United States and State of Illinois that their claims lack any merit. Rather, the agreement states that the parties settled to avoid the delay, uncertainty and expense of further litigation.

"This office takes health care fraud very seriously. A settlement of this magnitude makes clear that it does not pay for insurance companies to discriminate against pregnant women," Mr. Fitzgerald said.

"The Department of Justice is committed to ensuring that recipients of federal health care funds scrupulously adhere to the law, so that appropriate health care services are provided to all eligible patients," said Mr. Katsas, the Assistant Attorney General for the Justice Department's Civil Division.

"This settlement should send a clear message that the state of Illinois will not tolerate illegal conduct in the provision of healthcare for Illinoisans," said Illinois Attorney General Lisa Madigan .  
"I am pleased that our work on this case will bring millions of dollars to the State of Illinois."

From 2000-2004, Amerigroup was paid \$243 million by the United States and the State of Illinois to operate a Medicaid managed care plan in the state to provide health care to low income people. Amerigroup was required by law to enroll all eligible beneficiaries, including pregnant women. In 2005, the United States and the State of Illinois joined a lawsuit against Amerigroup, alleging that it violated this requirement, and avoided enrolling unhealthy patients, as well as pregnant women, who were more costly to treat and would have eroded Amerigroup's profit margin.

The corporate integrity agreement between Amerigroup and its subsidiary health plans and the HHS Office of Inspector General requires Amerigroup to adopt a code of conduct and policies and procedures designed to prevent improper discrimination against federal health care program beneficiaries in its marketing and enrollment practices. The agreement applies to Amerigroup's managed care plans in all the states in which Amerigroup does business during the term of the agreement, currently 11 states. In addition, Amerigroup must hire an independent review organization to annually review its marketing practices and enrollment initiatives, and its Board of Directors must annually certify to the effectiveness of its compliance program.

“The Office of Inspector General is committed to protecting Medicaid beneficiaries from fraud and discrimination” said HHS Inspector General Daniel R. Levinson. “This corporate integrity agreement will help ensure that our most vulnerable beneficiaries have access to needed Medicaid HMO plans in the future.”

The lawsuit against Amerigroup Corporation was initially filed in 2002 by Cleveland Tyson, Amerigroup Illinois' former head of government relations. Under the federal False Claims Act and the Illinois Whistleblower Reward and Protection Act, a private party is entitled to file suit alleging fraud on the state or federal governments and receive between 15 and 25 percent of any recovery. As a result of the settlement, Mr. Tyson will receive \$56.25 million. He was represented by

attorneys Fred Cohen and David Chizewer, of Chicago's Goldberg Kohn law firm, who tried the case in cooperation with state and federal government attorneys.

The case was handled for the United States by Assistant U.S. Attorney Samuel B. Cole, with assistance from the Justice Department's Civil Division; for HHS-OIG by Susan Gillin; and for the State of Illinois by Assistant Attorneys General Paul Gaynor, David J. Adams and Paul Berks. *United States, ex rel. Cleveland Tyson, et al. v. Amerigroup Illinois, Inc., et al.*, 02 C 6074 (N.D. Ill.)

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