



Department of Justice

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Northern District of New York

FOR IMMEDIATE RELEASE
WEDNESDAY, JANUARY 25, 2012
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CAYUGA MEDICAL CENTER OF ITHACA, NEW YORK SETTLES WHISTLEBLOWER HEALTH CARE LAWSUIT FOR \$3.5 MILLION

SYRACUSE, NEW YORK— United States Attorney Richard S. Hartunian announced that his office has settled a False Claims Act matter involving allegations that Cayuga Medical Center of Ithaca, New York, submitted false claims to Medicare and Medicaid in connection with improper physician recruitment agreements entered into between Cayuga Medical Center and various medical practices. The State of New York also participated in the settlement. Under the terms of the agreement, Cayuga Medical Center agreed to pay a total sum of \$3,576,056.00. Of that amount, the State of New York will receive \$426,305.00, and federal health care programs will recover \$3,149,751.00.

This settlement resolves a qui tam lawsuit filed by Daniel S. Jorgenson, M.D., a plastic surgeon who formerly practiced in Ithaca. The lawsuit was filed on behalf of the United States of America and the State of New York. Dr. Jorgenson alleged in his complaint that Cayuga Medical Center recruited physicians into the local area pursuant to recruitment agreements which violated federal law, known as the Stark Law; the Medical Center submitted claims for payment to Medicare and Medicaid, while certifying that it was in compliance with federal law, when in fact it was not; and violated the False Claims Act, 31 U.S.C. § 3729 *et seq.*

The Stark Law (42 U.S.C. §1395nn) applies to recruitment agreements between hospitals and physicians. This law prohibits a physician from referring patients to a hospital if the physician has a financial relationship with the hospital, unless an exception applies. The Stark law also prohibits a hospital from billing Medicare for a prohibited referral. Federal regulations and

related guidelines allow for hospitals to pay for certain expenses of medical practices who employ physicians recruited to the area by the hospital. Dr. Jorgenson alleged that Cayuga Medical Center paid for expenses that were not permitted by said regulations and guidelines and improperly extended a recruitment agreement and therefore submitted false claims to Medicare and Medicaid when it certified in connection with billing that it was complying with federal laws and regulations. The lawsuit also alleged a violation of the New York State False Claims Act.

Cayuga Medical Center voluntarily disclosed to the U.S. Department of Health and Human Services, Office of Inspector General additional recruitment agreements which did not comply with the Stark Law, and cooperated with this investigation. The investigation found no evidence of any criminal violations, either by Cayuga Medical Center or any other entity. The investigation found no evidence that patient care or safety was compromised in any way.

The federal qui tam statute, 31 U.S.C. § 3730, part of the federal False Claims Act, allows a whistleblower to file a civil complaint on behalf of the United States. The filing of such a complaint initiates an investigation by the United States to determine whether to adopt and proceed with the action, and allows a whistleblower, such as Dr. Jorgenson, to share in a percentage of the Government's recovery. Pursuant to federal law, and by court order, Dr. Jorgenson's complaints in this case remained under seal while the United States conducted its investigation to determine whether to intervene in the action. On January 23, 2012, the United States and the State of New York elected to intervene for the purpose of settling the matter.

Richard S. Hartunian, United States Attorney, commended Dr. Jorgenson for coming forward and reporting the improper recruiting agreements. "In bringing this matter to the attention of federal and state officials, Dr. Jorgenson assumed professional and litigative risks. His filing of the qui tam law suit resulted in corrective action by Cayuga Medical Center, as well as the settlement payment of over \$3.5 million. These are important results for the American taxpayers and bring

more confidence to the integrity of our federal health care system.” As a result of his role in reporting his concerns and his cooperation throughout, Dr. Jorgenson will receive 18% of the settlement proceeds, or \$566,955.18.

This case was investigated and prosecuted by the United States Attorney for the Northern District of New York, the U.S. Department of Justice, the U.S. Department of Health and Human Services (Office of Inspector General), and the Attorney General of the State of New York (Medicaid Fraud Control Unit).

This matter is assigned to Assistant U.S. Attorney Charles E. Roberts. News inquiries should be directed to Assistant United States Attorney John Duncan (315) 448-0672.

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