MEDICARE AND MEDICAID FRAUDS

HEARING

BEFORE THE

SUBCOMMITTEE ON LONG-TERM CARE

OF THE

SPECIAL COMMITTEE ON AGING

UNITED STATES SENATE

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Medicare and Medicaid Frauds:
Part 1. Washington, D.C., September 26, 1975.
Part 2. Washington, D.C., November 13, 1975.
Part 3. Washington, D.C., December 5, 1975.
Part 4. Washington, D.C., February 16, 1976.
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MEDICARE AND MEDICAID FRAUDS

MONDAY, FEBRUARY 16, 1976

U.S. SENATE,
SUBCOMMITTEE ON LONG-TERM CARE
OF THE SPECIAL COMMITTEE ON AGING,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:30 a.m., in room 318 Russell Building, Hon. Frank E. Moss, chairman, presiding.

Present: Senators Moss, Percy, and Domenici.

Also present: William E. Oriol, staff director; Val J. Halamandaris, associate counsel; William A. Recktenwald, David L. Holton, and William Halamandaris, investigators; John Guy Miller, minority staff director; Margaret S. Fayé, minority professional staff; Patricia G. Oriol, chief clerk; Eugene Cummings, printing assistant; and Dona Daniel, assistant clerk.

OPENING STATEMENT BY SENATOR FRANK E. MOSS, CHAIRMAN

Senator Moss. The subcommittee will please come to order.

We would like to welcome you here this morning as the Subcommittee on Long-Term Care continues its hearings into various aspects of medicare and medicaid fraud and abuse.

At our September 26 hearing, Mr. Edmond Morgan, president of the Illinois Clinical Laboratory Association, testified that he feared the criminal element was muscling into the ownership of clinical laboratories in his State.

He added that $1 out of every $6 in medicaid payments to clinical laboratories was fraudulent. He cited the most frequent abuses among certain quarters of his profession as: (1) performing additional tests not ordered by a doctor; (2) claiming lab tests were performed manually when they were performed by automated machines; (3) billing twice for the same services by falsifying dates; (4) reporting the completion of procedures when the clinic does not have the equipment to perform the tasks.

I asked the staff of the Committee on Aging to make a full investigation into this matter. The investigation focused on the States of Illinois, New Jersey, California, Pennsylvania, and New York. This report, "Fraud and Abuse Among Clinical Laboratories," is the result of an intensive 6-month staff effort.

The report concludes that a small number of clinical laboratories control the bulk of medicaid payments. In New York, 17 labs control 70 percent of the medicaid business. In New Jersey, 12 labs control nearly 60 percent of medicaid payments. In Illinois, 26 labs control over 90 percent of the medicaid business.

Kickbacks Necessary To Secure Business

The report concludes that, at least in the States which come under investigation, kickbacks are widespread among labs specializing in medicaid business. In fact, it appears to be necessary to give a kickback in order to secure the business of physicians or clinics who specialize in the treatment of welfare patients.

The average kickback to physicians or medical center owners in Illinois was 30 percent of the monthly total the lab received for performing tests for medicaid patients. Kickbacks took several forms, including cash, furnishing supplies, business machines, care, or other gratuities, as well as paying part of a physician's payroll expenses. Most commonly it involved the supposed rental of a small space in a medical clinic.

The report concludes that it is apparent that the law passed by the Congress in 1972 prohibiting kickbacks and mandating a $10,000 fine and a year in jail upon conviction is not being enforced.

When I was confronted with an early draft of this report I was shocked by the conclusions that the staff reached in their work with Chicago's Better Government Association. I decided to go to that city and see things for myself, accompanied by Senator Pete V. Domenici, of New Mexico.

I saw the proliferation of so-called medical clinics spreading like mushrooms all over Chicago.

I saw their glaring signs beckoning medicaid patients to utilize health care services.

I visited a postage-stamp-size clinical laboratory which billed medicaid for almost $200,000 last year. There was little in the way of equipment and no lab technicians in evidence. While the owner assured us as to the quality of the work performed, I heard from the owner himself that he chose to send his wife's blood test to another laboratory.

I visited the sparkling new laboratory of Illinois Masonic Hospital and saw its sophisticated new machines—only to learn that the hospital could not obtain much medicaid lab business because of its refusal to offer kickbacks.

Tests Not Ordered by Physician

I interviewed a physician who received over $100,000 from medicaid last year. I asked him to check nine lab invoices presented to medicaid for payment by D. J. Clinical Laboratory of Chicago against his records. The doctor told us that he had not ordered 55 percent of the $259 total in lab tests for which D. J. had billed the Illinois medicaid program on these nine invoices. This same doctor told us that he received a rebate of $1,000 per month from the laboratory in exchange for sending them all this medicaid business. The kickback was disguised as rent for a 6- by 8-foot room in the physician's office. The doctor's rent for the entire suite was $300 a month, and yet he received $1,000 per month for the "rental" of a 6 by 8 room.

Finally, I interviewed a man who owns two medical clinics which received about $300,000 in medicaid payments last year.

This man admitted sending all of the lab business to one company in Chicago. He told us he received a rebate of 50 percent of the amount medicaid paid for laboratory tests which physicians in his clinics ordered for welfare patients.

As a result the work of the staff and the BGA, as well as my own personal investigations, I am even more convinced that the medicaid program is rampant with fraud and abuse.

I renew my pledge to root out those who abuse the system in whatever quarter they may lie. It is my belief that eliminating fraud, abuse, waste, and inefficiency in the Federal health care programs may make it possible for us to move toward that balanced Federal budget that we all desire.

And it will, no doubt, improve the quality of health service to the poor and aged.

The Senator from Illinois, Senator Percy, is the ranking Republican member of this subcommittee. He has engaged in all of these efforts, he has done tremendous detailed work, and I am pleased that he is here this morning. I will ask him if he has an opening statement.

STATEMENT BY SENATOR CHARLES H. PERCY

Senator PERCY. Thank you very much, Mr. Chairman.

I would like to first comment on the rather unusual alliance that has been formed between this Senate subcommittee, a civic organization—the Better Government Association—and the media.

This is a technique that has been developed over a long period of very careful work.

The Better Government Association formed its Operation Watchdog almost a decade and a half ago. I had the privilege of serving as its founder and first chairman.

The Better Government Association at first only screened candidates for political office. We felt at that time there was need for an oversight operation that would look at what government was actually doing at the State and local level in Illinois. I know that there were charges at that time that the forestry department was padded with city workers who were not working. There were strong denials from the city of Chicago.

The simple techniques of having a camera go out and follow these crews to see where they were at what time, how they were using State or city equipment, if it was for their own personal usage, to see the amount of working time they were putting in—revealed the whole story once and for all. Someone said a picture is better than a thousand words. There was no disputing the facts that the camera revealed. Since then, various techniques have been used to simply provide public disclosure to put the spotlight on abuses.

EXPOSURE NECESSARY IN COMBATING FRAUD

We cannot investigate every single thing, but what we can do is spot check enough things so that with the help of the media, who have been extraordinarily cooperative, we can reveal things that will cause a cleanup. I think what has actually been done in nursing homes has been as a result of the exposure that the work of this

committee has given to regulations that were not adequate and regulations that were not being enforced. So I think that this new effort, carefully planned ahead of time by the subcommittee staff, under Val Halamandaris' direction, has proved remarkably successful.

There is no question but that there is a terrific ripoff of the public purse here. It is engaged in by professions that should be above that. They have a code of ethics that should be accepted. But the exploiters have moved in to take advantage of Federal programs in such a way that I do not see how, Mr. Chairman, it is going to be possible for this country to even act on national health insurance.

I think that what we are doing is simply demonstrating that we do not have the capability or the linkage between Government and the private sector that would enable us to move into a program the size of national health insurance. Only if we correct some of these abuses can this be anticipated.

We have here a program that should be administered carefully. The ones we investigated in the clinic setup in Rogers Park that was revealed on "60 Minutes" last night are in an area just a few blocks from where I spent my entire childhood.

The neighborhood in Rogers Park is now densely populated by the elderly. To have these people exploited, and the public exploited in this way, is reprehensible.

As our report indicated, in practical terms, it is possible for any medical testing laboratory, which is so inclined, to bill medicaid for a patient that a doctor has seen, for blood never drawn, for tests never performed, at a rate exceeding costs of four times—and twice the prevailing charge for private paying patients—with the nearly absolute assurance they will not be caught and prosecuted; that is, until today.

I think we have changed all that. Certainly the State of Illinois has been moving very agressively in recent periods, and within recent weeks. There has been an admission by State officials that this investigation has caused them to perform in a way we expected the States to be doing all along.

We do not have Federal enforcement agencies out there; we do not have Federal enforcement officers. We depend on the States to do this, and it is not just the State of Illinois that has not been doing it, it is many, many other States.

Nationwide Pattern Indicated

What we are revealing today is a pattern, not just in Illinois, or peculiar or unique to Illinois, it is a pattern that possibly can be developed, and has been developed in many, many other States. The purposes of these hearings is to alert the country once again that this particular aspect of the care of elderly patients is going to be in the spotlight and that these kinds of practices are going to be stamped out.

Just as I am pleased to report that we are making considerable progress now in nursing homes and in correcting the abuses in this area, which this subcommittee, under your leadership, Mr. Chairman, found some time ago, so too I feel that in this particular area, the

one revealed in the study released today, we can and will make progress. We warmly welcome the active participation of the distinguished Senator from New Mexico, Senator Domenici. He has gone with our chairman to see for himself in Chicago some of these abuses, and can report firsthand. The reports that were made to the Nation last night are not exaggerated; they are factual accounts of the ripoff occurring in this particular activity.

Senator Moss. Thank you, Senator, especially for pointing out that we need law enforcement. Our report has already been filed with the Justice Department here in Washington, and it has been sent also to the U.S. attorney and the State attorney in Illinois. We hope that they will now undertake prosecution for those who are guilty of violating the law.

I am pleased to have the Senator from New Mexico, my colleague, Senator Domenici, here, and I will ask him if he has any opening comments. He was in Chicago when I was there.

STATEMENT BY SENATOR PETE V. DOMENICI

Senator DOMENICI. Thank you, Mr. Chairman. If I appear to be tired, or if my voice sounds tired, it is only because I just got in on what we call the red-eye special, Senator Percy—that means I leave Albuquerque at 2:10 in the morning. I love to spend time in your great city of Chicago, but not at 4 in the morning, and not for 2 hours to wait for another plane. I was, however, pleased to visit the city of Chicago and tour some of the facilities during this recess.

I have a rather lengthy statement that enumerates, Mr. Chairman, the attention that was focused by this committee on the abuses in nursing homes, and I firmly believe that what we are doing today will cause the same kind of reforms in medicare and medicaid.

I think those hearings have served a very valuable purpose. We know those hearings have led to large numbers of indictments and, more indirectly, to expanded nursing home investigations in other States.

Preliminary investigations by the staff of this committee have indicated that fraud and abuse seems to be everywhere. Medicaid in particular has been a "sitting duck." In my opinion, neither HEW nor the States have been equipped to meet this problem, and recently, HEW had less than 10 investigators. The majority of the States have neither audited a single provider for medicaid fraud nor referred any cases of fraud to HEW and the Department of Justice.

I understand, however, in the city of Chicago—perhaps you covered this, Senator Percy—our recent probe is the result of some local investigations, and apparently it will yield some further attack on this problem at the State level.

VISIT LEAVES LASTING IMPACT

What I am saying today, however, is that abuse and fraud in certain programs do not seem to be new for most of the people in this room. We have heard the stories with growing frequency. However, all of the talking in the world cannot equal the impact of one visit.

I recently had an opportunity to visit one of the poorer areas in Chicago, and what I saw troubled me greatly.

I saw the proliferation of medical clinics in dilapidated buildings all over the poverty area, where pornography shops now house more lucrative enterprises. Fancy signs attract the poor and elderly with promise of free care. The care may be free to the poor and aged who have medicaid cards, but it is not free to you and me and the other taxpayers of this country.

This year we will spend some $15 billion on this kind of care, and I for one am in favor of doing all we must. But I certainly am not in favor of what I saw there and what, I speculate, is the real tip of the iceberg.

I am disturbed by many aspects of the problem. For instance, the owner of a so-called medicaid mill may be renting an office space in a building. The building itself may be owned by another corporation, in which the clinic operator has an interest.

The second possible problem is that many clinics are not even owned by physicians, but rather by private entrepreneurs. The recent evidence is that businessmen not only share in the profits of the medical practice, but they also pressure the doctor into taking unnecessary tests to increase clinic revenues.

Yet another factor disturbs me. Most of the physicians working in the clinics are from foreign countries. Many do not have deep ties to the United States, or to any particular city. Many have centers in the clinic as a way to make some money in a hurry and return to their home country. In other cases, the overriding ambition is to open a medicaid clinic or mill of their own as soon as possible.

I am afraid many of these physicians are carrying the mistaken notion that kickbacks in medicaid are the norm of medical practice in the United States.

I am sure that many of them do not even know they are breaking the law when they request or receive a kickback. The possibility for kickbacks in these medicaid mills is endless.

Generally, one person rents the clinic for, let us say, $300 a month, and then subleases a tiny part of this space to a pharmacist who pays him $1,000 a month in rental. The payment is disguised as rent. It is certainly more than that, and I regret to say the example I have just given is not hypothetical.

We visited just such a place, with just such a rental arrangement in the city of Chicago. Senator Percy, when you were there the people operating at that late date last week were not reluctant to give us this kind of information. A person rented a store building for $300 a month. He remodeled it, and then he got $2,600 a month rent from people that served in that clinic as the captives of the basic doctor that operated.

"Ping-Ponging" Becoming Growing Practice

But there is yet another practice that is very offensive that is beginning to be called "ping-ponging," which describes the procedure where the welfare recipient will be seen by all of the practitioners in a clinic irrespective of need.

Typically, a patient will be seen, or at least medicaid will be billed for such visit, by the general practitioner, the podiatrist, the dentist, the optometrist, and the chiropractor—all in one visit on 1 day.

It is apparent to me that something must be done immediately to head off the uncontrolled proliferation of these medicaid mills. After my visit to Chicago, I can understand why some experts project that $1 out of every $5 we spend for health care under medicare and medicaid is ripped off.

Furthermore, I don't think we should stop with efforts to reform medicaid mills. I think the problem of factoring companies requires our immediate attention. A factoring company is a brokerage. Physicians who have large outstanding accounts that are not paid promptly sell these for cash, and I wonder if these factoring procedures are going without any specific laws that govern our small companies, like loan institutions. If they are governed in some States, I wonder why we should be part of a system which is so out of touch with our times that anything like 10 to 15 percent of the money we thought was going to services goes to a factoring entrepreneur. I think this is rampant in the city of Chicago, and whether this committee or the State itself looks into it, it deserves more than just quick attention.

I would also like to mention clinical laboratories. I don't believe I will ever forget the visit to a tiny lab in the back of one of these medicaid mills. This lab does about $200,000 in business from medicaid. You would think with that dollar volume the lab would be buzzing with technicians. It was, in fact, as quiet as a church. There was a distinct lack of sophisticated laboratory equipment. It looked like a rundown high school chemistry lab.

I must say, I would have serious doubts about the quality of the work performed by the laboratory. I wonder if they billed for the tests not authorized by physicians as we found with respect to other labs. I wonder if they are claiming lab tests performed manually when, in fact, they were subcontracted and performed more cheaply by machine at some nearby laboratory. I wonder about the full extent of rebates and kickbacks. Did the lab owner pay them to his suppliers? Did he pay kickbacks to physicians, and nursing homes?

I wonder if the laboratory ever uses the "sink test." That consists of pouring the specimen down the sink and then writing down some meaningless numbers which are sent to the ordering physician. We heard of this being done.

I wonder what percentage of the tests in this facility were inaccurate and what were the consequences to the totally helpless people waiting expectantly for life-or-death news from the laboratory.

Programs Needed, Despite Problems

I wonder why neither the State nor HEW was around to check up on these schemes that I have witnessed. May I suggest at this point that perhaps large spending programs involving both the State and the Federal Governments are not ever going to be efficiently administered? Too many problems, such as enforcement, fall between the

cracks of bureaucracy. Yet the programs are needed. Perhaps medicaid should be run entirely by the Federal Government. In return, the Federal Government should relinquish its control over other programs best handled by the State alone.

I know the Senators here this morning share my concern about this particular scandal. I think that it is time we knew the answers to some of these questions.

I think it is time that the Congress stepped in and ended this gold rush in the area of health care of the poor and aged. As our report says, it is time to stop the hemorrhage of Federal funds.

I plan to do everything that I can to bring about some improvement in the present sorry state of affairs. I want to see for myself how medicare and medicaid are working at the street level. I invite the members of this subcommittee to join me. It appears that we have much to do and we must begin at once if we are ever to control the massive and wholesale fraud that feeds upon the public dollar.

I thank you, Mr. Chairman.

Senator Moss. I thank you very much for your very good work on this committee, and especially your visit to Chicago, Senator Domenici.

As you may recall, we observed in many places what the Senator from Illinois referred to, that the medicaid—or public—charge for a particular lab procedure is often double the price that is charged a private patient. The conclusion is that we are paying twice as much as we should for lab services.

Not only are costs inflated, oftentimes bills were submitted for work not performed. The system encourages this because the doctor sends his slip to the laboratory saying what he wants, and the laboratory fills out another one and sends it to the State for payment. It does not necessarily follow that the two forms are identical. The physician has no way of checking which tests have been billed to the State in his name.

Outstanding Investigative Work

Well, we are very pleased with the investigative work done by the staff in this area of Chicago, Ill., but I do want to emphasize that, although our focus was Chicago, this is by no means the only place where we find fraud and abuse. We will hear later this morning about at least one other State which has had similar problems. I would like to compliment our staff for a very fine investigation, which was carried out by Val Halamandaris, the associate counsel of the Senate Special Committee on Aging, and William Recktenwald, Mr. David Holton, and Mr. Bill Halamandaris, who are investigators. They worked in conjunction with investigators from the Better Government Association of Chicago, to which Senator Percy referred.

I am going to ask Mr. Halamandaris and Mr. Recktenwald to come to the table with J. Terrence Brunner, Douglas Longhini, and Geralyn Delaney.

Val J. Halamandaris is the associate counsel, Senate Special Committee on Aging; William Recktenwald is an investigator for the

Senate Special Committee on Aging; J. Terrence Brunner is executive director, Better Government Association, Chicago, Ill.; Douglas Longhini is an investigator, and Geralyn Delaney is a staff secretary, also with the Better Government Association, Chicago, Ill.

As was pointed out, the Better Government Association is a private, nonprofit voluntary association that was formed in Chicago 52 years ago. We have worked with them several times in the past 6 years.

In this case they were of great service to us; they carried much of the load in this investigation.

Now, we welcome all of you before the subcommittee and, Mr. Halamandaris, I think you should proceed. You will probably want to refer the matter to various members of the panel as you report to us what you found in Chicago.

STATEMENT OF VAL J. HALAMANDARIS, ASSOCIATE COUNSEL, SENATE SPECIAL COMMITTEE ON AGING

Mr. HALAMANDARIS. Thank you, Mr. Chairman, Senators. I must say it is a little bit different sitting on this side of the table, rather than being at your elbow.

I think we have a rather important purpose here today. We want to put into the record all the facts and specifics of the fraud investigation that we have undertaken in the State of Illinois and elsewhere.

You gentlemen have very eloquently indicated the parameters of our investigation and conclusions that we reached. I would like it understood that our purpose is to provide specifics, names, places, and dates. With your permission, Mr. Chairman, I would like to supply at this time a key to our staff report. We did not use names in our staff report, preferring to provide them here this morning, under oath. With your permission, Mr. Chairman, I would like us to be sworn.

Senator Moss. I believe that is an excellent idea, since there may be controversial matters.

Will you all stand and raise your right hand? Do you all solemnly swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

[All witnesses affirmed in the positive.]

Mr. HALAMANDARIS. Mr. Chairman, in the course of our investigation, we examined more than two dozen clinical laboratories in the State of Illinois. We visited some 50 medical clinics, and we interviewed more than 50 physicians in the State of Illinois.

In addition, we also examined whatever evidence we could find in the clinical laboratories in every other State. There are three or four States that have conducted intensive investigations, including the State of New Jersey. It was in this connection that we contacted Mr. Holstein, the executive director of the commission of investigation, Trenton, N.J., who is here today, and who will provide testimony to this committee.

In short, we pulled together all of the information we could find on fraud and abuse among clinical laboratories, and I would like to state our conclusion for you.

"Few Labs Control Most Medicaid Business"

First of all, comparatively few labs control most of the medicaid business in the United States. In New York, 16 labs controlled 70 percent of the medicaid business. In New Jersey a dozen labs controlled nearly 60 percent of medicaid funds. In Illinois, 26 labs control over 90 percent of medicaid funds paid to clinical laboratories. In Wisconsin, 12 labs control the bulk of the business.

Our second conclusion: Competition for medicaid accounts is fierce. It seems that the only way to obtain a medicaid account is to offer a kickback. If you do not provide a kickback, you cannot get services. The greater the kickback offer, the more likely the lab will be to obtain medicaid business.

Three: The average kickback is about 30 percent. This is about the figure we projected for kickbacks between pharmacies and nursing homes in the exhaustive study we completed 2 years ago. Kickbacks can take any form from cash, gifts, supplies, long-term credit arrangements, to the furnishing of supplies and business equipment. Most commonly, the technique used is the "rental" of a small amount of space in a medical center or the payment of part of the physician's overhead or payroll expenses.

The root of the problem is the overgenerous fee schedules for clinical lab services. The fee schedules were established in 1967 when medicaid went into effect and most tests were performed manually.

Since that time, there have been rather major advances in terms of technology for clinical laboratories, and yet the fee schedule has not been changed to take advantage of their technology. Whatever cost savings have accrued—and there have been a lot—simply have not been passed on to consumers. Instead, they have been used for promotion devices or marketing or physician inducements.

In short, they are used for kickbacks.

In order to maximize their ability to succeed in the kickback game, we found that labs have learned ways to increase their income from medicaid. The predominant way of increasing income in order to offer more kickbacks is simply to charge for tests not authorized by the physician.

That is the easiest way. There are other ways, of course, such as billing for component parts of what is a panel of tests. For example, there is a series of tests called SMA–12, and the law and regulations require they be billed as a panel at one set amount. Typically the charge of that panel of tests might be $15; however, for component parts of this series billed separately, the reimbursement for the same 12 tests can go up to $100 or more.

Senator Moss. As I understand it, many of these tests are run by machine and the labs bill separately for component parts, which amounts to claiming the tests were performed by hand.

Mr. Halamandaris. Right.

Senator Moss. They bill each one separately, even though the tests are performed as a panel.

"Mechanical" Tests Billed Separately

Mr. Halamandaris. Exactly, Mr. Chairman, and, as you know, pretending tests are being performed by hand when in actuality they

were performed by machine is another device by which you can increase the amount of medicaid money that you have coming in, to be able to pay out in kickbacks.

We estimated, by conservative estimate, that at least $45 million out of the $213 million in medicare and medicaid payments to clinical laboratories is either fraudulent or unnecessary. This is a conservative estimate because a reasonable case can be made that about 50 percent of current payments are inappropriate. I cite New Jersey's experience where fee schedules were reduced by 40 percent as well as New York's analysis that lab payments could be cut in half by incorporating the principle of regional laboratory programs.

Studies in these States reached the conclusion that the amount of money paid for medicaid, clinical laboratory services could exactly be cut in half. This was also the conclusion we reached in our Illinois investigation. We believe Illinois could cut their current fee schedule by more than 50 percent; or if you want to put it another way, that the State is overpaying labs by 116 percent.

Restating again, if the State of Illinois were paying for lab services performed for its medicaid patients at the same rate that private patients pay for these same lab services, then Illinois would save about half the money it now spends.

A couple of more points:

As you know, in 1972 Congress enacted the specific statute which prohibits kickbacks, making the offer or receipt of money or other considerations illegal, and punishable by a $10,000 fine, 1 year in jail, or both.

When our report concerning kickbacks between nursing homes and pharmacists was published a year ago, Mr. Chairman, we concluded that the statute was not being enforced. It was one of our major recommendations that the Department of HEW and the Department of Justice should begin enforcing the law with respect to kickbacks.

Only One Indictment Issued to Date

I am sorry to say there has only been one case that has ever been brought under the 1972 statute, and that is the indictment issued by the Honorable Sam Skinner, U.S. attorney for the northern district of Illinois, about 2 weeks ago.

Senator Domenici. Do you have the language of that so-called kickback statute in front of you?

Mr. Halamandaris. Yes, sir, we do; and if you have a copy of the report,* it is on page 10.

Senator Domenici. Thank you. You do not have to read it.

Mr. Halamandaris. Yes, sir. It is explicit. In practical terms, what this all means is that any laboratory that is so inclined can bill medicaid for tests for patients the doctors have never seen, for blood that is never drawn, for tests never performed, at a rate exceeding four times costs, and twice the prevailing rate to private patients, and in so doing violate laws and regulations of general and specific application with nearly absolute assurance that they will not be caught and prosecuted.

*See S. Rept. 94–944, *Fraud and Abuse Among Clinical Laboratories.*

That is the end of my formal statement, Mr. Chairman.

At this time I would like to introduce Mr. William Recktenwald, who is seated on my immediate right.

Mr. Recktenwald is the chief investigator of the Better Government Association in Chicago. As you stated we have been working together with the BGA for the last 6 or 7 years, and we have the greatest respect for the BGA, particularly for Mr. Recktenwald and for his boss, J. Terrence Brunner, who is also seated here today. We have been fortunate to have Mr. Recktenwald on a leave of absence and working with us for the past 6 months.

I would like to have Bill tell you how he got into this investigation of clinical labs.

STATEMENT OF WILLIAM RECKTENWALD, INVESTIGATOR, SENATE SPECIAL COMMITTEE ON AGING

Mr. RECKTENWALD. Thank you, and good morning, Senators. After our hearing on September 26, Mr. Chairman, we were contacted by Herbert Meyer, a physician in general practice on the south side of Chicago. Some 80 percent of his patients are elderly. More than 90 percent qualify under medicare or medicaid.

On October 14, 1975, at approximately 1:20 p.m., I was present in his office when he was visited by a man who identified himself as Riaz Khan, a sales representative for Westlawn Clinical Laboratory. In the first 6 months of fiscal year 1976, this laboratory received $448,369.50 from the Illinois Department of Public Aid in medicaid funds. I was seated in a closet adjacent to Dr. Meyer's office. From that position I was able to overhear the conversation between Mr. Khan and Dr. Meyer. Mr. Khan offered Dr. Meyer a return of 30 percent of each month's gross billings submitted to the Illinois Department of Public Aid. He said this kickback could take several forms, it could be paid either as a rental to the physician or disguised as payment toward the salary of one of Dr. Meyer's employees.

The following is taken from a sworn statement I prepared at that time [reading]:

Mr. KHAN. It's good to see you, Dr. Meyer. I'm glad you are considering our services.

Dr. MEYER. Well I can't make anything definite until I talk with my lawyer who won't be back until next week. (Dr. Meyer then asked some questions about how soon the work would be completed and how many pick-ups per day were made.)

Will you go over your incentive plans you mentioned to me last time again?

Mr. KHAN. Yes, it's 30 percent—there are several ways to handle it. We can pay your rent or cover your overhead.

Dr. MEYER. Well, my rent here is not very high.

Mr. KHAN. Don't worry about a thing. There are a number of ways this can be handled. We can pay your rent or cover part of your overhead or cash. My chief can give you all the details. I would like to set up a meeting with the two of you.

Dr. MEYER. Well, anything I get, anything coming in here goes on the books.

Mr. KHAN. Don't worry, this is all legal. There are loopholes to every law. We do this with doctors and clinics all over town.

Dr. MEYER. Who else do you handle this for?

Mr. KHAN. Northtown Clinic (and mentioned several others). In three clinics alone we have almost 24 doctors plus about 15 other individual doctors.

Dr. MEYER. Now this 30 percent, is that of gross or net?

Mr. KHAN. It's 30 percent of all your public aid business.

Dr. MEYER. What about medicare? I have many patients on medicare.
Mr. KHAN. I'm not sure about that. My chief could give you details about that and about private work.
Dr. MEYER. Do you bill public aid directly on these things?
Mr. KHAN. Yes; we handle all billing.
Dr. MEYER. I've got to check this with my lawyer before I go ahead.
Mr. KHAN. This has been cleared with our lawyer and everything is perfectly legal.
Dr. MEYER. What is your lawyer's name?
Mr. KHAN. It is a Mr. (F. N. U.) Greenberg.
Dr. MEYER. Let me show you the rest of our operation here. (Both left room)

I exited the closet and met the doctor and Mr. Khan in a different room. The doctor asked Khan if he had met me and Khan said, "No." The doctor said: "Stanley, meet Mr. Khan, who represents a medical laboratory." I asked him if he did any work for dentists and he said, "No." [Continues reading:]

Mr. RECKTENWALD. Herb, is this the fellow you were telling me about last week?
Dr. MEYER. Yes.
Mr. RECKTENWALD. Well, I hope you get things made clear (motioning to Khan), Herb thought you were offering him some type of kickback.
Mr. KHAN. Oh no, just help with your overhead.

Khan said goodbye and started to leave. I said I was going across the street to get cigarettes and left at the same time. Outside the building I spoke with Khan.

We have a photo * here taken by one of the BGA investigators. That is Mr. Khan on the right [indicating]. [Continues reading:]

Mr. RECKTENWALD. You know, you really had Dr. Meyer worried; he thought he might get in some trouble if he got involved with your rebate program.
Mr. KHAN. There is nothing wrong with it, nothing illegal. We just pay part of his overhead, part of the rent, or however he would like it, it just works out to 30 percent of his public aid business. Everyone does it. There is nothing wrong with it. See, when he takes samples and things here, that is wear and use of his office, so we just pay him back by helping with the overhead.

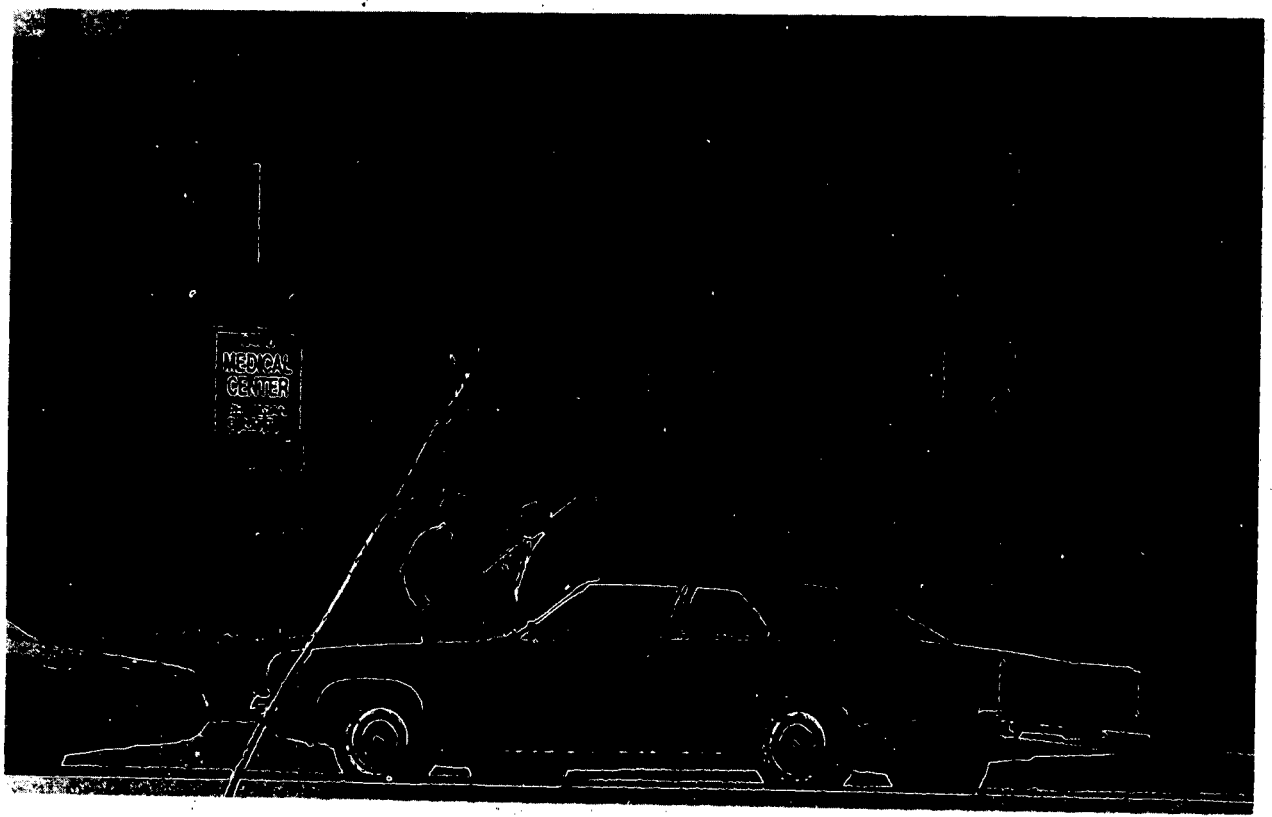
MEETING ARRANGED

With Dr. Meyer's cooperation, and at the suggestion of Mr. Khan, a meeting was arranged on October 20, 1975, with Mr. Trivedi, one of Mr. Khan's superiors in the clinical lab. Present with Dr. Meyer was William Hood,** who was introduced as a replacement for Dr. Meyer's regular attorney who was said to be out of town. Mr. Hood is an attorney who, until December 1975, served as an investigator with Chicago's Better Government Association. He had served as an investigator—consultant—with the Senate Committee on Aging since March of 1971.

Under questioning from Hood, Mr. Trivedi confirmed the offer extended by his associate, Mr. Khan. Trivedi said the arrangement would allow the doctor to get back from the lab 25 to 30 percent of the gross monthly medicaid billing sent to the lab. Mr. Trivedi concluded: "My personal feeling is, that the best way is for us to pay your rent or to pay an employee. It works simplest that way."

Mr. Khan, who was also present at this meeting, expressed amazement, as did Mr. Trivedi, that Meyer had any doubts about the legality of procedures they proposed. They said he was the first doctor who had ever raised any questions with them about this.

*See p. 422.
**See affidavit, p. 513.



—Photo by James Huenink, BGA

Mr. Riaz Khan (right), sales representative, Westlawn Clinical Laboratory, Chicago, Ill.

Senator PERCY. I think that is one of the concerns I have. You are never able to police something 100 percent. But when you work with a profession which presumably has ethics, then I must ask how widespread is the knowledge among doctors that this practice goes on? How many cases were turned over to the Illinois State Medical Society or turned over to the district attorney, the Attorney General, for investigation?

What goes on here? Do they just silently acquiesce with it and do nothing about it?

Mr. RECKTENWALD. Senator, these statements, together with the number of physicians allegedly involved in a similar practice, the fact that no one apparently had ever questioned the legality of the practice, led the committee staff to again question how widespread the practice of offering kickbacks was in the Illinois medicaid program.

Moreover, the flat insistence by Mr. Khan and Mr. Trivedi as to the legality of this practice caused the staff to recheck the pertinent medicare and medicaid statutes relating to kickbacks. The law is explicit. The law is reprinted on page 10 of the staff report. The identical language can be found in both medicare and medicaid.

In addition to this specific provision, there are other applicable fraud provisions in the United States Code.

CLINIC OPENED BY INVESTIGATORS

Satisfied that the practice was clearly illegal, committee investigators set out to find an answer to an essential question: How common was the practice? An extensive discussion among the staff of the committee led to the conclusion that the best way to test the extent of such practices would be to simulate the actions that would be taken by an independent physician beginning a practice specializing in public aid—welfare—patients. To this purpose, it was decided that a storefront clinic would be opened in an appropriate area. Only from the perspective of the practitioner, at street level, could the committee gain information on the mechanics of these highly questionable operations. And only through understanding the mechanics of the operation could effective corrective legislation be proposed.

A decision was made to go ahead with this plan in conjunction with the Better Government Association—BGA—of Chicago, Ill., a nonprofit, nonpartisan civic organization which has cooperated with the committee for more than 6 years in a number of areas of investigation. Subsequently, due to considerations of time and money, the BGA assumed primary responsibility for setting up and operating the storefront clinic with committee staff present only as observers. Two Illinois physicians cooperated with investigators to the extent of allowing their names to be used.

A small storefront was rented at 1520 West Morse in the Rogers Park area of Chicago. Mr. Holton has a photo* here of the storefront. This neighborhood has the highest proportion of aged in any area in Chicago, and possibly one of the highest in the Nation. A

*See p. 424.

The storefront clinic, located at 1520 W. Morse Ave., Chicago, Ill.—Photo by George Quinn, *Chicago Tribune*

sign announcing the opening of the clinic was placed in the window. A number was listed with the statement: "Professional inquiries invited." Mr. Douglas Longhini, a BGA investigator, posed as a business representative of the two doctors. He is with us today accompanied by Mr. J. Terrence Brunner, executive director of the BGA, and Geralyn Delaney. He will explain what transpired in that storefront clinic.

Senator Moss. Mr. Brunner, please go ahead and carry on the story.

Mr. BRUNNER. Mr. Chairman, BGA Investigator Doug Longhini was present for every meeting; also present was Mrs. Delaney, our secretary who transcribed the conversations in shorthand, and she is also present today.

Senator Moss. Why didn't you just set up a tape recorder?

Mr. BRUNNER. Senator, the Illinois eavesdropping statute prohibits the taping of any conversation without the consent of all parties. We were very careful throughout the investigation never to violate any Federal or State statutes. As an alternative to taping, we had Mrs. Delaney sitting right there across the table from the lab representatives taking everything down in shorthand and then transcribing her notes immediately afterwards.

Senator PERCY. Were they not a little nervous when you were taking this down in shorthand?

Mrs. DELANEY. I was a little worried that they might be, that they might wonder why I was taking all of this down in shorthand, but they did not seem to be.

Senator Moss. They did not complain about it, and you were able to transcribe it later, so anything you tell us under oath is what you transcribed?

Mrs. DELANEY. Yes.

Senator Moss. You may proceed, Mr. Longhini.

STATEMENT OF DOUGLAS LONGHINI, INVESTIGATOR, BETTER GOVERNMENT ASSOCIATION, CHICAGO, ILL.; ACCOMPANIED BY TERRENCE BRUNNER, EXECUTIVE DIRECTOR, AND GERALYN DELANEY, SECRETARY

Mr. LONGHINI. Thank you, Senator.

In December 1975, the Better Government Association, CBS "60 Minutes," and the Chicago Tribune obtained the use of a $400-a-month storefront office in Chicago's Rogers Park community. Located on Chicago's northeast side, Rogers Park is a predominantly white, Jewish and Catholic neighborhood with a substantial elderly population.

The sign we placed in the storefront window advertised that a medical clinical would soon open at that location. Also, in early December, I telephoned representatives of 15 Chicago-based clinical laboratories. I told each lab that I represented two Illinois physicians who were opening a medical clinic in Rogers Park. I informed each that the new clinic would require laboratory services, and I invited each lab to send a representative to the medical clinic to discuss the availability of their services.

Over a 3-week period, I spoke to representatives and owners of 13 different clinical laboratories. After each interview I wrote detailed affidavits of each conversation,* and on January 6, 1976, the conversations were filmed and recorded by CBS's "60 Minutes."

ELEVEN OF THIRTEEN LABS OFFERED KICKBACKS

Of the 13 laboratories I spoke to, 11 labs offered the doctors a kickback or rebate on the dollar amount of laboratory business referred

*See appendix 2, p. 490.

by the medical clinic to the lab. Through additional interviews outside of our clinic in Rogers Park, the BGA found a total of 13 independent clinical laboratories giving kickbacks to doctors and medical clinics. These 13 laboratories alone account for 65 percent of Illinois' medicaid payments to clinical laboratories in 1975.

The kickbacks were all based on a percentage of medicaid billings for a week's or a month's laboratory tests referred by the doctors to the labs. The kickbacks were expressed in terms of percentages of the volume of business given to these laboratories. These percentages varied from 15, 25, 40, to as high as 50 percent of a week's or a month's total medicaid billings for lab tests.

Although these percentages of kickbacks varied, the method of payment was consistent from lab to lab. Each of the laboratories giving kickbacks also offered to rent space at our storefront offices in Rogers Park. The laboratories only required enough space to accommodate a laboratory technician to draw blood. This space could literally be 2 square feet—enough space for a blood-drawing chair—or one small room within the clinic.

The laboratories explained that the rent they would pay the medical clinic for this small space had no relationship to the amount of space used by the lab technician. The rent, as the laboratories proposed it, would be based solely on the volume of laboratory business referred to the labs. The actual rent would be calculated by multiplying an agreed-upon fixed percentage by the volume of business the individual laboratory received during a week or a month. "It is just our way of saying thank you," one lab owner said.

If the volume of medicaid laboratory business was $4,000 a month at our clinic in Rogers Park, and the fixed percentage was 50 percent—two laboratories offered kickbacks of 50 percent: United Medical Labs and Northside Clinical Labs—then that month's rent paid by the clinical laboratory to the doctors would be $2,000.

This could be $2,000 a month—$24,000 a year—for 2 square feet of space. Again, the whole storefront rented for approximately $400 a month. But as Ernest Villanueva of Ridgeland Medical Laboratory pointed out: "I don't have to know how much rent you are paying for the medical clinic."

The laboratory representatives said that the amount of rented space—the number of square feet actually utilized—would not increase if the volume of business increased. However, the amount of rent paid by the laboratories would increase as long as business did. Mr. Robinson of Chicago Medical Laboratory said: "The rent is adjusted to whatever the volume is." Robinson advised me not to worry about the amount of space the laboratory would rent at the medical clinic. Robinson told me, "It's just a box"—referring to the rented space—"and you don't worry about a box. What you're interested in is the money coming out of that box every month."

Although the laboratories would send the medical clinic weekly or monthly rent checks through the mails, some of the laboratories would not, initially, sign legal leases or subleases with the medical clinic. Robinson of Chicago Medical Laboratory felt that, "Leases are used only if you have a good thing going."

KICKBACKS DISGUISED AS RENT

However, most of the laboratories offering kickbacks suggested or agreed to signing a legal lease or sublease. Mr. Simos, owner of Claremont Laboratory, said that a rebate based on a percentage of the volume of medicaid business was "dirty business; the doctors would get clobbered"—apparently if Government officials investigated. Mr. Simos assured me, however, that: "As soon as the State sees a rental agreement, they stop questioning the doctors." Simos offered our clinic a 30-percent kickback disguised as rent.

The rental scheme appeared to many laboratory representatives to be their private loophole to avoid charges of kickbacks to medical clinics. For example, William Footlick, owner of Division Medical Laboratory, said our clinic could receive between $5,000 and $6,000 a month from Division for the rental of one blood drawing chair. When I asked Footlick if this was a rebate on the volume of business, he said: "A rose, is a rose, is a rose. I look at it as a rental." Footlick had earlier assured me that "I"—Division Labs—"am able to be looked at * * * by the FBI; this is not frowned upon. It is a percentage as a starting base"—from which to establish the initial rent.

Senator PERCY. How did the doctors handle this on this income tax return?

Mr. LONGHINI. I was told by the laboratory representative that he handled this as business income.

Senator PERCY. As income?

Mr. LONGHINI. Yes, that it would be declared.

Senator PERCY. No questions, to your knowledge, have ever been raised as to why you would have income sometimes exceeding the amount of the basic lease?

Mr. LONGHINI. They were not worried about that.

Senator DOMENICI. Could I ask you a question regarding payment of percentages? Does the clinic pay this amount, whether they get paid or not? Do they pay it regularly, or do they pay when they get paid?

Mr. LONGHINI. They pay it regularly.

Senator DOMENICI. On invoice amount, rather than amount received?

Mr. LONGHINI. Yes, on invoice amount.

Senator MOSS. Was there any discussion which invoice would be controlling—the one the doctor sent to the lab or the one the lab sent on?

Mr. LONGHINI. The one the lab sent out to the State to be paid. I do not think they expected an invoice from the doctors. They just directly billed the State.

The laboratories offering to lease space at the medical clinic said that they would reevaluate the lease every month, or 3 months or 6 months. Footlick of Division Laboratories said: "We pay a flat rental and determine that rental on the first month's volume. The rental must stay as a fixed amount; but rent is reviewed every 3 to 4 months." Mr. Simos of Claremont Laboratory said that he would renegotiate the lease every month. And finally, Nemie LaPena of Northside Clinical Laboratory said—we have a picture:* "I don't

*See p. 429.

know how legal"—it is—"but rental agreement could say that we are giving you back 45 percent of the volume of the medical tests ordered." LaPena told me that Northside presently maintained this type of sublease with a number of medical clinics.

Clinic Is Dropped if Volume Stays Down

There can be pressures applied when it is time to reevaluate the lease. According to Judy Pedgrift, a representative of United Medical Laboratory: "If a clinic's volume goes down any month, I call up the clinic and tell them they had better get the volume up the next month. If the volume stays down, we have to drop the clinic."

Simos of Claremont Laboratory told me that he would like to have our medical clinic see between 15 to 20 patients a day, and order two or three tests per patient. Simos left a clear impression that two or three laboratory tests per patient was the minimum. Simos gave me this advice, "What the hell, go ahead and order 10 tests"—for a patient—"just go ahead. The State pays for it."

The stress on volume can invite the medical clinics and doctors to milk one sector of the community as much as possible and ignore other people in need of competent medical services. Riaz Khan, a representative of West Lawn Medical Laboratory, urged this business tack.

Khan said: "The secret to the success of a medical clinic is in promotion." Khan asked me if there were any black neighborhoods near our clinic in Rogers Park. I said there was a relatively small black neighborhood about five blocks north of the clinic. Khan said: "Well, that is where you should promote; the money is where the blacks are. There isn't any money in these old people"—referring to Rogers Park elderly population. "Old people are dried up. There's not much blood you can draw out of old people."

Thank you.

Mr. Halamandaris. Mr. Chairman, if I could be allowed to continue for a few more minutes, I would like to tell you what we did next. We had found some 13 or 14 laboratories we knew offered kickbacks. We then went to the controller's office and constructed a profile of all the physicians who used those particular laboratories.

We then had a reasonable idea that the 100-some doctors we found using these labs received kickbacks.

At the same time, we integrated into our list the names of Illinois physicians who made more than $100,000 from medicaid last year. We then selected about 50 physicians for interview.

On the morning of January 7, the investigators from the Special Committee on Aging and the Better Government Association began visiting physicians all over the city of Chicago.

On that day alone we interviewed about 25 physicians. Our search for the physicians led us to the clinics that Senator Domenici described. Some might have once been taverns, others were once pornography stores, but now signs heralded free medical care for the fortunate with medicaid cards.

Senator Domenici. The sign also states: "We accept green cards."

Mr. Halamandaris. Yes, and the signs are so vivid they fairly grab you off the street.

—Photo by Carlos Contreras, BGA

Mr. LaPena said, "You'll make lots of money . . ."

Senator Moss. And the green cards is the medicaid cards?

Mr. HALAMANDARIS. Exactly. Although the card might be different colors in different States. To begin with, we had the idea that a lot of physicians were ripping off the system, so we confronted some of them, including a physician named Jose Hilao.

PHYSICIAN ON SALARY BY CLINIC OWNER

Dr. Hilao threw us a curve. He indicated he did not know anything about kickbacks. He said he was on salary, and he worked for somebody, and he referred the committee staff to Mr. Robert C. Parro, who owns two clinics in the city of Chicago. We visited Mr.

Parro and he was very candid. He told us two clinics received about $300,000 of medicaid funds the previous year from the department of public aid. He candidly admitted he was receiving a rebate from the laboratory; that he now uses the Park-Dewatt Laboratory; and that his present rebate arrangement amounted to 50 percent of the amount his clinic charged medicaid for lab services on behalf of medicaid beneficiaries.

He added that he was troubled by this arrangement in that some might think it illegal.

The other point he made is that he did not go to the Park-Dewatt Laboratory out of greed, but that they had the best program in town.

Mr. Chairman, you visited with Mr. Parro, and I am sure you recall his admission that the laboratory he had been using, the Northside Medical Laboratory, in fact, offered him a kickback of 55 percent, which he turned down, because he was unhappy with the quality of their services.

Senator Moss. Yes, I recall he said that.

Mr. HALAMANDARIS. The man was very open and concerned about the practice. The point he made was that the law should be clarified. In his view, the statute is not explicit enough.

Speaking as an investigator, as a lawyer, I think it is very specific. Later, we interviewed a clinic administrator, Mr. Roy Oliver, the gentleman we have identified in the report as Mr. F.

Senator PERCY. May I ask—if we have a key to the report, why was it necessary to print the report with "G, H, Y," and so on? As long as you have a key, why could you not print the names?

Mr. HALAMANDARIS. The decision was made that we should not use names until we testified under oath, and only after the particular parties who would be named could be notified. We have done that. The chairman sent a registered letter to all of the parties involved, indicating their names might be mentioned, telling them that they might want to have somebody here to listen to the testimony, that they are entitled to appear to answer our charges today at this same hearing, and that they are entitled to have counsel appear with them.

Senator PERCY. This procedure you adopted is a good procedure, and certainly provides an opportunity for the laboratories and the individuals named in the allegations and against whom charges are made to answer them. It might be well for you to determine now whether there is anyone who has appeared, who is in the room today, who is named in the report, and who has received notification from this subcommittee, to see whether or not it is their intention or desire to testify today. We can then determine how long the committee will be holding this session.

OPPORTUNITY GIVEN TO DEFEND AGAINST ALLEGATIONS

First, I would say the statute is explicit. I would like to read the and we will then ask if anyone who has been named in here in any way would care to come forward. It is in order to avoid the problem that you alluded to, Senator, that we decided to go this route, to make sure everyone was appropriately notified with time to come here if they wanted to come here.

Mr. HALAMANDARIS. I would like to supply for the record the experience we had together, Senator Domenici and Senator Moss, in visiting Dr. C.

Dr. C's name is Julio Lara-Valle, and we visited Dr. Lara-Valle at his establishment, which was a converted tavern that he made into a medical clinic, for which he is paying a rent of $300 a month. The doctor is receiving a rent of $1,000 a month for a closet-size room in this clinic.

Mr. Chairman, you remember this as well as I do. Why don't you tell us of your views. You went in, and you can verify this.

Senator Moss. Yes. This is one more experience that I had personally, and Senator Domenici was there in this crowded little place, several people waiting to see the doctor. We talked to the doctor awhile, and he took us back to see the room that he was subleasing. A young girl was in there. There was a blood-drawing chair, another chair, and a small table that was not even 3 feet square. Finally, there was a little cabinet with some needles and syringes in it. That is all there was there. The entire room might have been 4 by 6 feet.

She could hardly turn around in this space that was there, but the doctor received $1,000 a month in "rental" for this little room.

When we asked Dr. Lara-Valle about it, he tried to justify it as legitimate rental. He said the $1,000 helped defray some of the cost of remodeling. He was also receiving $1,000 a month from a pharmacy that was subleasing space in his clinic.

Mr. HALAMANDARIS. The lab that paid him the money was the D. J Medical Laboratory of Chicago, and I understand the company is now no longer in business. However, the doctor told us that in the interim he had secured a similar arrangement from another laboratory.

Senator Moss. He said, "D. J. flew."

Mr. HALAMANDARIS. Yes. He did not complete the idiom. He said "flew," instead of "flew the coop."

I would like to turn to Mr. Recktenwald who will help place things into perspective.

Senator PERCY. Mr. Halamandaris, before you turn it over to Mr. Recktenwald, I would like to again put on notice those who might be in the room, representing any of these labs or clinics, that criminal actions may have been committed. I think the people who believe that there is no criminal action here are rather naive. I have here the Internal Revenue Code that would seem to be very clear in its intent and purpose. Will you describe for us what you mean by a kickback?

Mr. HALAMANDARIS. I would like to answer the question in two parts.

STATUTE EXPLICIT ON DEFINITION

First, I would say the statute is explicit. I would like to read the two lines from the statute. This will answer the first part of your question, and then I would like to respond in detail to the notion that these payments are not kickbacks but are really fair rentals.

First of all, what the statute says is that whoever furnishes items or services to an individual in the medicaid program, who offers,

solicits, receives any kickback or bribe in connection with furnishing services, or making payments, rebates, or any fee charge with individuals, for furnishing such services shall be guilty of a misdemeanor.

Senator PERCY. Will you read the last sentence, describing what a kickback is, to be certain that the use of the term "kickback" you have been using is in accordance with the Internal Revenue Code description?

This is the Internal Revenue Service Code 162(c), subparagraph 3. "For purposes of this paragraph, a kickback includes payment and consideration of the referral of a client or customer."

Now, does that describe what you have all been talking about as a kickback?

Mr. HALAMANDARIS. Exactly.

Senator PERCY. And that fits it?

Mr. HALAMANDARIS. Yes.

Senator PERCY. So the code refers to it, and the Congress wrote this into the code in 1970 at suggestion of the Senate Finance Committee staff. It was done anticipating this possible situation. The code is very, very clear, and I think, and I suggest, Mr. Chairman, that we refer this entire testimony to the Internal Revenue Service and request they investigate whether or not these labs have been taking kickbacks as business deductions, and, therefore, might be in criminal violation of the Internal Revenue Code. That is why I ask the question: How do you suppose they are handling these on the income tax? Are the clinics handling it as income? Are the labs handling it as a business expense?

Mr. HALAMANDARIS. Good question.

Senator MOSS. This will be referred to the Internal Revenue Service. We have referred it to the Department of Justice already, but we will specifically send it to the IRS as well.

"KICKBACK" DEFINED

Mr. HALAMANDARIS. I would like to make the second point, and Senator Domenici had discussion with me on this very point. The question is: When is it legitimate rent, and when is it a kickback, and how do you tell the difference between the two? That is the legal issue we are addressing. The Senator from New Mexico echoed my belief when he said if it is a flat fee, and reasonable, and it does not change from month to month, the labs may have a reasonable argument that this is a rent; however, if the flat fee rental is renegotiated frequently, then it is entirely a kickback.

Second, if the rent fluctuates from day to day, week to week, with the volume of business they send medicaid, then obviously it is a kickback.

It is a kickback if the amount of money paid, cash or other considerations, just happens to equal a set percentage of medicaid business, that is, if it just happens to equal 30 percent of your payments, then to me that is a kickback. If the payment is a precondition of getting a physician's account, then it is a kickback.

It is a kickback if it is undisclosed. It is a kickback if the space is small or unused, that is, if the space is one foot square in the middle of a hallway.

To me it is a kickback if the space is never used by the laboratory; more important, if the rent that is paid is inappropriate or excessive as compared with the cost of rental of space in that geographical area and similar real estate values.

Senator Moss. You have addressed yourself to this rental technique but there are, of course, other ways of paying kickbacks; such as paying part of the overhead, paying for the doctor's employees, supplies, equipment, and things of that sort.

Mr. HALAMANDARIS. Yes.

Senator DOMENICI. Mr. Chairman, I might just add a few words on the last statement. I certainly, at this point, do not agree that just because the rent would be fixed, that it would be legal, and that it would not be a kickback.

Senator PERCY. If there is no relationship to space.

Senator DOMENICI. Precisely. It seems to me we are on the tip of an iceberg, which is far bigger than just labs. Everyone of these little clinics has a pharmacy in it; a little tiny cubbyhole. One told us that he paid $1,000 a month rent even though he only served the doctor there—that is one full-time doctor. I think that we will find this is as broad as there are kinds of services that can be rendered in one of these clinics. I would assume that you would find it in the delivery of frames for glasses and shoes from podiatrists—we saw advertisements for a podiatrist. That region of your State, Senator Percy, will have the best feet in the United States. They approved podiatrists, and they had an ad on the wall with brochures how you could take care of your feet, because podiatry is not bound by some of the rules as the medical people are. Six different brochures were available for the people to take home so they would know how to get their feet checked.

That would require another service. I am sure they sell them something.

ONE PHARMACIST DISSATISFIED

One pharmacist, he would not tell us, but he was delighted to see a representative of the U.S. Congress. He said the whole pharmacy business is changed by this setup. "I do not like what I am in," he said:

> I happen to be here because the typical pharmacy does not work any more. You have to be inside one of these little places, and you just serve these doctors. I do not like what I am, but it is the only place I can make a living at this point.

We asked, "What rent do you pay?" On that question, he said, "It is my business." As I recall, however, with regard to the other pharmacists, I think your last statement is relevant, Senator Percy, with reference to income tax violation—violation of the IRS Code. One pharmacist is paying $1,000. That has gotten to be big business.

He just works for pharmaceutical companies. That company owns 11 of those little leases, and he is the pharmacist in charge.

It would be interesting to see what that owner of 11 pharmacies in all of these little clinics gets.

What other kind of relations do they have? Their "business" is all predicated upon what I perceive as a whole new subculture for the delivery of medical care and drugs and services to the poor people under medicaid and the medicare program.

Mr. HALAMANDARIS. I have a personal observation. We are constantly confronted with some pharmacists, or other provider telling us, as staff members of this committee, or telling the Senators, that the kickbacks and fraud are rampant. We have often been in the position of persuading this provider to come forward and tell the Senate what is going on so we could learn first-hand about fraud and abuse. We then could be able to make the necessary changes in the laws. Despite our coaxing, we are constantly confronted with people who are greatly reluctant to talk, because they will probably lose the accounts they now have and probably will be ostracized by the members of their own profession.

Nevertheless, we have insisted in the past that people come forward to testify. But the people named as receiving kickbacks have not been prosecuted. Nothing has happened. We published this in a beautiful little report on nursing home kickback 2 years ago, and we sent the specific cases of abuse to the attorneys general in 4 or 5 different States. However there were no prosecutions brought. This is a syndrome we have seen so often. Someone testifies before the Senate committee, and the next thing that we know we have some association's representative, who comes up here and says: (1) "we are all against crime, but I am happy to tell you, we do not have much of it in our profession," (2) "these are isolated instances; they do not represent the general pattern of the industry," (3) "they are made by representatives who do not know what they are talking about."

"PROBLEM HAS REACHED THE CRISIS STAGE"

The importance of our investigation and testimony today is that we have demonstrated, once and for all, that fraud is rampant, and it is blatant. Providers came off the street offering us money, so we can put to rest any misgivings we had about the extent of this problem. The problem has reached the crisis stage with wide implications for all of us as taxpayers and as users of medical services in the United States.

Senator PERCY. You really have to go to those parts that are actually fraudulent, that are of criminal violations, and that is just a tip of the iceberg that is perhaps characteristic of our society.

We saw, for instance, what I consider to be illegal—but how do you catch them—the practice among nursing homes of a group going in and buying the nursing home, and then setting up a corporation just to own it and renting it at an exorbitant rent to the operators of the nursing home. It is the same people; they just have two heads, and they have an income or two, and it is difficult to detect.

The other areas where they are selling services to these people, whether it is head to foot, and so forth—I was struck this weekend by talking with a constituent, who had recently moved from a

Scandinavian country. I said: "How do you like this country?" and he said:

I thought America was a healthy country—a healthy people—but I have been looking at television. It is unbelievable. You have more aches and pains, ailments; and you have more things that you can take for them. It must talk people into feeling ill, to just sit there, hour after hour, and see all of the things that go wrong with you.

I imagine, if you start pushing foot care, you can boom that business. There is money to be made, just as they say in this report in Rogers Park. There is money to be made among the old people, particularly if you are old and a member of a minority group. Those are the groups these vultures move in on and exploit. We have a part of our society that we have a real obligation to do something about and focus in on.

Senator DOMENICI. Specifically, with regard to Mr. G, in your report—I was told about him, but did not meet him. It is clear he is not a medical doctor.

Mr. HALAMANDARIS. That is correct.

Senator DOMENICI. It is clear he owns a medical clinic in the usual sense of ownership.

Mr. HALAMANDARIS. Correct. He has registered that ownership with the city of Chicago.

Senator DOMENICI. It is clear he receives, as owner, some substantial portion of what the Government pays as medicaid that is related to the amount of professional services rendered in those clinics.

Mr. HALAMANDARIS. That is my understanding.

Senator DOMENICI. Is there anything in our law that makes that illegal? Is there anything in our law that says we cannot pay an entrepreneur for delivery of what a doctor is supposed to deliver? We never intended that. Is it illegal or not?

Mr. HALAMANDARIS. I do not know that there is any specific statute. The canons and ethics of the American Medical Society do prohibit it.

Senator DOMENICI. He is not a doctor. He is not bound by the canons. They cannot expel him.

SOME PHYSICIANS VICTIMS OF ENTREPRENEURS

Mr. HALAMANDARIS. Yes, I am aware of that problem. We found this again and again. Many foreign physicians were employed by laymen who, to some degree, took advantage of them. These entrepreneurs are in this business to make money. They push these poor doctors to order tests that are not necessary in order to increase the amount of money coming into the clinics which they own.

To me, this is a reprehensible practice.

Senator PERCY. Do you want to identify the Robert Taylor Medical Center? This is one of the largest public housing projects in this country—just block after block of high-rise public housing. I presume Mr. Robert C. Parro operates in a medical center, in or near those public housing buildings.

Mr. HALAMANDARIS. Yes, Mr. Parro is the owner. He has a clinic in this area. I forget the exact address, but it is on Chicago's south side.

Senator PERCY. The south side?

Mr. HALAMANDARIS. Yes.

Senator PERCY. And he has another clinic called the Professional Medical Center. Where is it located?

Mr. HALAMANDARIS. On 51st Street. I do not have the exact address in front of me.

I would like to shift for a brief moment, from the subject of kickbacks to the question of the quality of services performed, and to some of the ways in which laboratories increase the amount of medicaid reimbursement, making kickback more possible. I am talking about such things as billing for tests which the physicians have not authorized.

I would like to turn it over to my colleague, Mr. Bill Recktenwald, who has some charts and presentations.

Mr. RECKTENWALD. One of the things we determined, was the fact that there were two pricelists. These labs would charge one amount to private patients and a higher amount to those in the medicaid programs for the same service.

Now, this practice violates HEW regulations that require all bills submitted to medicaid to be the usual and customary charges for these services.

HEW regulations further state if there are two pricelists, the lower of the two will be charged and used as the basis for reimbursement.

DOUBLE PRICE LISTS

The BGA examined more than $10,000 worth of paid bills for 14 selected tests. These 14 tests are ones which we knew had two prices. This information came from salesmen visiting the Morse Avenue Clinic. In order to arrive at $10,000 in paid bills for these 14 selected tests, considerably more than $10,000 worth of bills were examined.* Mr. Bostick of the Library of Congress has prepared some charts for our use. As you can see, D. J. Laboratory was paid by the State $9,274 for certain tests that would have cost a private person only $3,514.50—a 164-percent overcharge to the State.

The Northside Clinical Laboratory was paid $10,749 for tests which would have cost the private sector only $4,864—a 121-percent overcharge to the Government.

The Norsom Medical Reference Lab, which has some 60 nursing homes as their clients, was paid $10,696 for tests which would have cost the private sector only $4,978.50, or a 115-percent overcharge to the Government.

The Illinois Medical Laboratory was paid $12,997 for tests for which private patients would have paid $6,190, or an overcharge to the Government of 110 percent.

The United Medical Laboratories, Inc., which is an Illinois corporation, was paid $12,575 for tests which would have cost the private sector $6,495, or a 94-percent overcharge.

Senator MOSS. Do every one of these have two pricelists—the private and the medicaid?

*See chart, p. 437.

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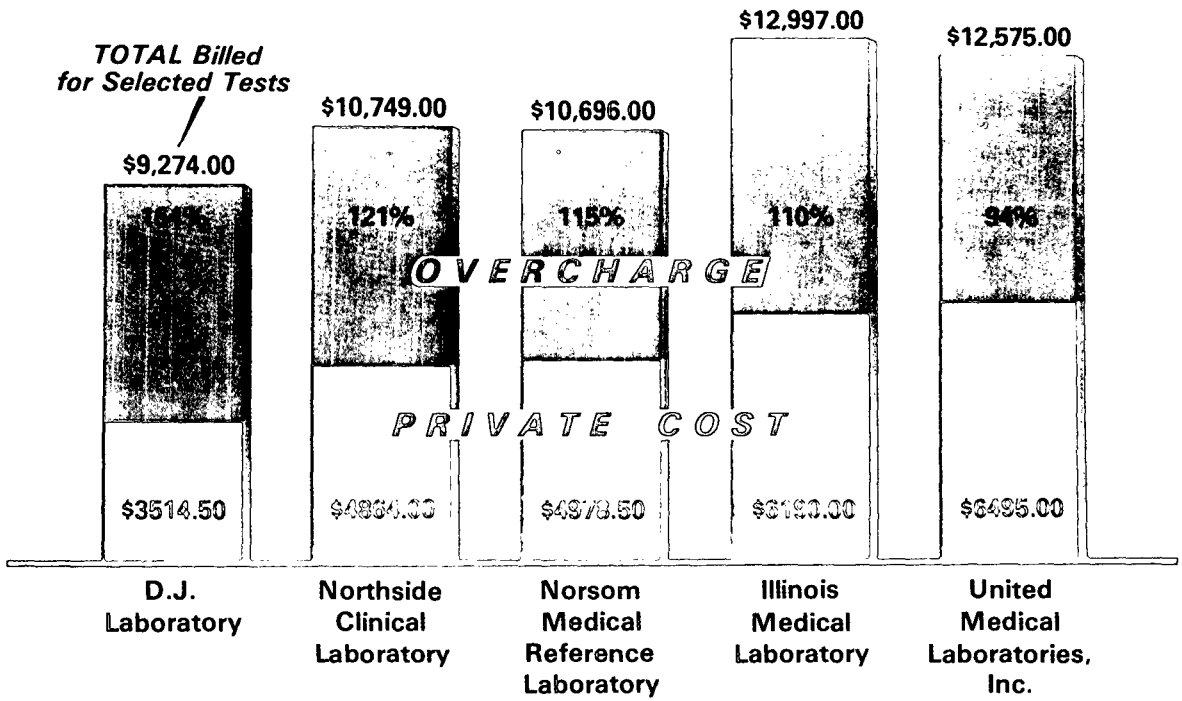
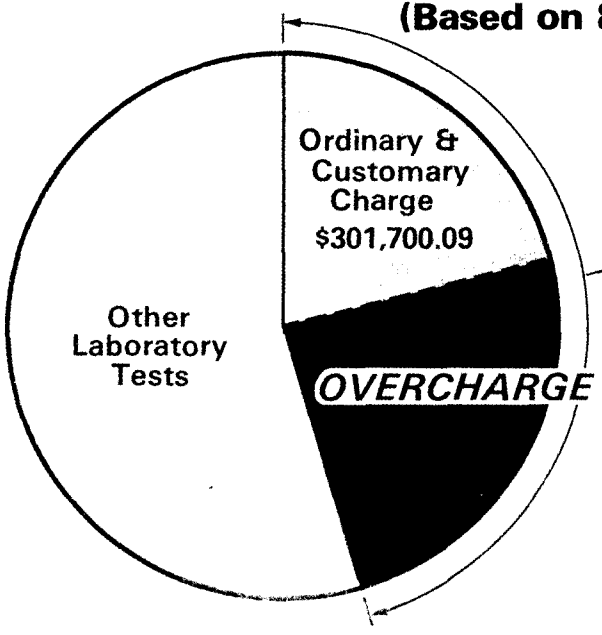
Overcharge to Medicaid for Selected Laboratory Tests



PROJECTION OF OVERCHARGES OF FIVE CLINICAL LABORATORIES

(Based on 8 Percent Sample)



Selected Laboratory Tests
$655,869.76
(45.5%)

$1,441,472.08 (Paid by Medicaid for the first 6 months of F.Y. '76)

Mr. RECKTENWALD. Yes, sir, most of them do. The bulk of the information about double pricelists was gained by Mr. Longhini and Mrs. Delaney in the Morse Avenue Clinic. They would be told about the double pricelists by the laboratory representatives.

During the first 6 months of fiscal 1976, these five laboratories were paid some $1,441,000.

From the information gained in the examination of these selected tests, it is our projection, based on an 8-percent sample—which is a very large sample—that the State of Illinois has overpaid $354,000-some-odd to these laboratories just for these selected procedures. Again, we are talking of only these five laboratories for a 6-month period. It is a very large piece of the pie that we have overpaid these people.[1]

Now, in still another area of fraud—laboratories charging medicaid for tests not ordered by physicians—we pulled some 20 bills at random submitted by D. J. Laboratory on behalf of Dr. Bascon. We have these bills on charts.[2] These are actual bills.

Senator MOSS. These are facsimiles of the bills themselves.

Mr. RECKTENWALD. Yes; Xerox copies.

Perhaps, Mr. Chairman, if you want to go over and look at them closely—it is difficult to get them blown up.

Senator MOSS. I just wanted to see how they are laid out. They are all on a regular form.

Mr. RECKTENWALD. Yes; if you will notice the date of service on that particular bill,[3] the date of service on the left-hand column——

Senator MOSS. Yes, February 5.

DOCTOR NEVER SAW PATIENT ON STATED DATE

Mr. RECKTENWALD. According to the doctor's record, that patient never visited the doctor until February 17. It would be difficult for the doctor to draw blood on a patient who never visited the doctor.

Out of these cases, the doctor had no record of having any patient visit him anywhere near the time when the alleged service was given.

In one case, they had no record of a patient with that name. In two cases, the first visit to the doctor was after the alleged date of service. Then in many of the cases, the doctor found that he had not, in fact, requested these tests, nor had he received any results.

Senator PERCY. I wonder if Senator Domenici could mention publicly the possibility which he mentioned to me, that in some of these cases where it says no tests requested, it may reflect a change of attitude by the doctor now that the heat is on.

Senator DOMENICI. I saw a couple of these, and there is no doubt in my mind to begin with, that the labs can, and probably are, adding tests that are not ordered by the doctors; however, I think that there is another possibility that the doctor, by the time he starts interrogating, begins to get kind of queezy and scared about this whole process. He went through a file that we cannot even understand, and said, "I did not order these three."

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[1] See chart, p. 438.
[2] See appendix 1, p. 469.
[3] See p. 476.

I think they could have developed an attitude of being scared of the whole process, and they will fudge on the short side, and pin it on somebody else. I think that is a possibility, although we will never be able to find out, because the doctor's name is on each of these. From what I saw, there is no way you could distinguish the point of time and the laboratory tests, either written in or checked in. It is always the same kind of script; it is pretty hard to tell.

You could just see him flip through, and say, "I did not order these four." I think it is a possibility—it is a real possibility that——

Senator PERCY. In your judgment, is it a possibility?

Mr. RECKTENWALD. Senator, on these particular bills, the doctor made a very careful examination. He first checked the patient chart to see the date on which he saw the patient—this also notes what exams or tests that he had requested—then he checked the patient files to see what results he had received from the laboratory. Then, as a third check, the doctor kept a book in which he entered the date, name of patient, and type of test requested for every lab test. So at least on these 20 bills, chosen at random, we have not one or two, but actually three different cross-checks.

There are also other strange things about the tests. For example, when the doctors' records show that only a urine sample was taken and the lab bills for blood tests. Out of the 20 bills, only 1, No. 15,* had all the tests billed for been requested by the doctor.

The total amount that was billed to medicaid, just on these 20 tests, was $855; the amount that was actually referred by the physician was only $119, leaving $766 of extra charges that were just added on.

Senator PERCY. Were you able to determine that the established quota of two or three tests per person was pretty well maintained? Was there any greater frequency of the number of tests to medicaid patients as opposed to those patients who had to pay the bill themselves?

MEDICAID MORE LUCRATIVE THAN MEDICARE

Mr. RECKTENWALD. During one of the conversations that Mr. Trivedi and Dr. Meyer had during the investigation, Trivedi suggested that medicare patients not be given tests. "Don't test those people. There is no money to be made on medicare. The money is to be made on medicaid." That is what I overheard Trivedi say.

Dr. Meyer said that may be good business, but certainly not good medical practice.

Senator PERCY. Did you discover a disparity in the number of tests based simply on the ability to get paid for these tests?

Mr. RECKTENWALD. You can see in some of these bills, in their eagerness to make money from the State, that they had actually listed CBC—complete blood count—twice on the same bill.

It gives me the impression that someone was just writing things down—taking test names out of the blue.

*See p. 483.

Mr. BRUNNER. Senator, the random sample that Mr. Recktenwald is talking about is not just an isolated incident. Working with the subcommittee staff, we went out in teams to visit clinics.

I was on a team that visited a clinic in Bridgeport where Mayor Daley lives. It was a very well organized clinic. The doctors had everything computerized. Their records were excellent. The doctors very carefully looked at the bills we gave them and in many instances, after checking them against patient records, they said, "No, I did not order these tests run."

One doctor had the best looking records I had ever seen, and we found instance after instance of laboratory tests billed for that were never ordered by the doctor. This is in the area on the southwest side of the city of Chicago, a white area as opposed to the black area that Mr. Recktenwald was talking about. I think the conclusion you might draw is that the practice is very widespread.

Mr. RECKTENWALD. Some of the inappropriate tests ordered like EKG's, with interpretation, for people diagnosed as having arthritis, and sickle cell tests being ordered for middle-aged white adults. This leads us to believe that people were just writing in test names, and that these tests were never requested, they were never made, and results never given.

Senator PERCY. I would like to have you amplify, and perhaps our chairman would be interested in this matter. We, many times, have maintained that we are not trying to set up a Federal bureaucracy to oversee these programs. We delegate this to the States, and we pay the costs. The States have a great responsibility to carry this out.

Now, can you indicate whether, say, in the State of Illinois, any State agency ever did routinely have the kind of audit that would determine whether or not the bills are valid bills, whether they actually were submitted for services that had been rendered?

Has there been any audit of that kind that you know of?

NEWLY ASSIGNED INVESTIGATORS

Mr. RECKTENWALD. There are about 50 public aid investigators that have been assigned to check the medical laboratories in Illinois.

Senator MOSS. Just recently assigned?

Mr. RECKTENWALD. Yes, sir.

Senator PERCY. How many were there before?

Mr. RECKTENWALD. To my knowledge, none, sir.

Senator PERCY. So this is a recent flurry of activity, since the investigation has been carried on.

We are pleased that they have responded, but I cannot help but ask the question: Why was it not done before?

Is there any incentive for the State to properly audit, so long as they are being reimbursed by the Federal Government anyway? Is there a State cost involved?

Mr. HALAMANDARIS. On the contrary, Senator, there is little cost to the State.

As you know, Congress, in its infinite generosity, decided in 1972 that the Federal Government would pick up 75 percent of the cost

of moving each State into the computer age. So if you are a director of a health department or welfare department, you know that the Federal Government will pay 75 percent of the costs of installing and operating computer systems. The Federal Government also pays 100 percent of the cost of making State inspections, which relates to the quality of health services. Senator Moss has a bill pending that would provide 100 percent Federal funds for that purpose and to help States accomplish annual audits.

There are 50 percent matching funds available now for auditors. As we learned in New York, we recover anywhere from $6 to $15 for every $1 invested in the salary of auditors so there should be an incentive for the States to set up surveillance units.

Senator Moss. But States do have to monitor the medicaid program to insure there is no fraud or abuse.

Mr. HALAMANDARIS. Yes, the State has a vested interest in doing so and indeed, they are required to do so under the medicaid regulations.

Senator Moss. You recall, when we heard testimony relating to the fraud squad in Michigan—they were doing some auditing and follow-through, providing a good example for every State in the Union.

Mr. HALAMANDARIS. The fraud squad is really a superb group. The official name is Post-Payments Surveillance in Michigan, and their computer system is cranked up to the point where they pay 97 percent of the bills within 30 days, and the computer automatically catches any sort of suspicious practices. They have a group of investigators that follow and visit people suspected of ripping off the system, and they have recruited a fantastic amount of money. For every dollar they have invested, the surveillance—the fraud squad—has recovered $6.

I think there is a precedent that other States ought to follow there.

Mr. BRUNNER. With respect to Senator Percy's question regarding the program in Illinois, the BGA delved into the State's effort to combat fraud prior to this investigation, and the State of Illinois had roughly 100 welfare inspectors.

INSPECTORS NOT CONSCIENTIOUS

Now, before Mr. Recktenwald came to work for the Senate, he had investigated those inspectors to find out what they did. Mr. Recktenwald's investigation found that many of them were retired Chicago policemen. Many have never bothered to even come to work, except to sign in. Very often, they spent the day shopping, or working in another job, and those roughly 100 investigators only filed 200 cases against individuals who should not have been on the welfare roles. Illinois' fraud inspection was a complete misuse, at least in my judgment, of the people who were on the staff to do investigative work. They were concentrating on individual cases of welfare recipients as opposed to concentrating on large scale welfare fraud. One of the conclusions of this investigation is that much money in Illinois—we estimate some $3 million of $11 million in this lab area—is being ripped off. This $3 million could help an awfully lot of people and make health care delivery more efficient.

Dollars that you are appropriating for health care in Illinois are not getting to people who need help. Very often, as you know, Sen-

ator, the suggestion has been made by the Illinois Department of Public Aid that there is no real welfare fraud, and only a small number of offenders. Yet these labs that we investigated—about thirteen labs that do a $6.19 million business—are a fair sample.

We are talking about 65 percent of the lab business, so the fraud we encountered is anything but an isolated instance.

Senator PERCY. Were these retired policemen? Were they supplementing their income? Were you able to determine if they were political workers as well?

Mr. BRUNNER. I think there was no doubt those people had political clout and got jobs on public aid because of their expertise as Chicago policemen.

I think in my experience, you just cannot go about this sort of thing that we are talking about, catching people doing what we are talking about, with people who have this sort of background. You need accountants, you need lawyers, you need people who have expertise, in order to find these sort of crimes.

Since IDPA took over this program in January 1975, as opposed to the county running it. Mr. Trainor has gone out of his way to try to remove these people and get people who are qualified to do this sort of work. I think there is a realization on his part that it has to be done, and certainly the program is much better than it was before.

Mr. Trainor has told us, and he told Mike Wallace on "60 Minutes," and as John Simon who wrote the report testified before you, there was no fraud inspection program in the Illinois Department of Public Aid until the fall of 1974.

John Simon told me as recently as last week that the investigators he found in the department of public aid, when he went there, were unable to find their rear end with both hands. That is what Mr. Simon said about the investigators that he found in the Illinois Department of Public Aid.

FULL COOPERATION NEEDED

I have a lot of respect for him. I worked with him in the Department of Justice. He knows how to conduct fraud investigation and I think he did his best under the circumstances. But certainly you cannot approach these problems without full cooperation from State government.

Senator PERCY. Could Mr. Recktenwald comment on the political activities of the personnel that were paid, as investigators? They apparently did not really work for the Public Aid Department.

Mr. RECKTENWALD. What we are talking about, Senator, is an investigation which took place in spring and summer of 1974.

It turned up evidence that Cook County public aid investigators, who are supposed to track down welfare cheaters, are themselves cheating the public.

Loafing and inefficiency on the Cook County staff resulted in operational costs three times higher than the court fines finally recovered. In 1972, 73 public aid investigators managed to find only 222 prosecutable cases out of nearly 1 million welfare recipients in Cook County.

The Bureau of Special—public aid—Investigations in Springfield, with a nine-man staff, referred more cases a month for litigation than the Cook County unit did with 73 men. The Springfield bureau is responsible for investigating welfare fraud in every county in Illinois except Cook.

Many of the Cook County investigators were spending their working hours taking leisurely lunch breaks or running personal errands.

On one occasion, BGA staff members saw a public aid investigator head for home at 10:30 a.m. He remained there most of the day, after visiting a bank and a grocery store. Investigators are paid to work until 4:30 p.m.

Another investigator was seen driving 1 hour each way in order to eat his lunch at home. Members of the Cook County unit are allowed 45 minutes for lunch.

Senator PERCY. What was the source of funds being used to pay these investigators?

Mr. RECKTENWALD. This is when they merged the county welfare department with the State.

Senator PERCY. Could the staff determine for us what the source of those funds would be?

Mr. RECKTENWALD. Yes.

Senator PERCY. We know the way the game is played in Chicago. Workers are held to very high standards of performance on election day, but what happens to the public aid patients? What happens to the fraud and all of that? Is it none of their business?

This is a very callous operation. I certainly am pleased to get your reports that this has been discovered and that was the situation you found, and that they are doing something about it.

Senator Moss. Is there any licensing or inspection system of the laboratory equipment itself?

LUNCH, BLOOD SAMPLES SHARE REFRIGERATOR

I am thinking about the lab where you opened the refrigerator and there were blood samples and a bottle of milk, and a sandwich—all of this together—and it sort of made me feel I would not want to get my lab work done there.

Senator PERCY. You would not want to get your sandwich there either.

Mr. RECKTENWALD. Senator Moss, as you know, we discovered that one lab owner was sending his wife's blood sample out to another laboratory. There is a licensing regulation for the clinical laboratories. I believe that in Illinois they are licensed by the State department of registration and education, and that they do have periodic inspections. There is a requirement that the lab owner or supervisor be a medical doctor, that he has certain expertise in biochemistry, but they have perhaps only one inspection a year.

Senator Moss. They must not have very rigid inspections to permit these little holes in the wall to operate and, as I said in my opening statement, we visited the laboratory over at the Illinois Masonic Hospital, just blocks away, but they can't get any medicaid business.

Mr. RECKTENWALD. Even the labs that you and Senator Domenici visited, I am sure, would be sparkling clean on inspection day.

Oftentimes in Illinois people know when the routine annual inspection is coming, and they are prepared.

Mr. HALAMANDARIS. I think we are getting close to wrapping things up, but I would like to explain this item here.

At the present time, there are many laboratories that charged $25 for so-called combined SMA–12, and also for determining the albumin-globulin ratio. That sounds complicated, but it is really not.

When the SMA–12 is run, they charge $15 as posted, and all that is necessary is to take this little computer and pull the tab until the two readings are in line, and you have the index. [Illustrating] I just earned $10. The State of Illinois, in its wisdom, is paying $10 for this procedure, and a lot of other States are too. This helps make the point that the fee schedules in some States are really antiquated.

Mr. Holstein in his statement suggests they are in the horse-and-buggy era with lab fees. Most of them were promulgated in 1965 and 1967 and 1970, when medicare was first coming into operation.

These fee schedules do not take into consideration the new technology, which makes it possible to perform tests for 7 cents or less.

Let me give an example. The cost of performing a simple urinalysis is 7 cents to 25 cents. What is involved is taking a little piece of paper, sticking it in the urine, and reading it, that is, comparing it to a color chart. That process costs 25 cents, let us say.

A private patient in Illinois pays about $3 for this test. However, the State of Illinois, more specifically medicaid, is charged $10 by some labs and more for this simple procedure.

I do not know why Uncle Sam has to get clipped. I do not know why we have to assume that money which is paid—paid in Federal funds—like medicare and medicaid belongs to nobody and is up for grabs. To illustrate the point, let's talk about the cost of a urinalysis. In Illinois, the cost to do it is 25 cents; private patients are charged $3; and in medicaid, the Government is charged $10.

AMA VIEWS SOUGHT

Senator DOMENICI. Mr. Chairman, I must leave. Could the staff give us one additional item which we might all be interested in? Would you furnish us with the American Medical Association's rules regarding the ethics that pertain to the subjects which we have been discussing? I think it is very important that we consider sending them some of this record so that there is no claim that we have not asked them to do their share.

I think in the area of rebates, in the area of kickbacks, in the area of fee splitting, there are some rather precise rules and regulations that govern the majority of medical doctors. Those who deliver the services—I do not think much of what we have found here is condoned by most doctors, or even would be ethical at all in the bona fide medical profession. I would like to have that information, with some analysis by the staff, so we could look at it, Mr. Chairman.

Senator Moss. We would be glad to do that.

Senator PERCY. I think that would be very valuable, and you might also go one step further, and determine what the AMA—in this case, the Illinois State Medical Society—feels its responsibility is.

There is no group that is less governed than the AMA, and there is no practice being carried on that calls for more intervention than this.

Certainly the members of the board of directors of the Illinois Medical Society that I know would just be as appalled as we are at these activities.

Here is a profession that has every reason to want to see these practices and abuses stamped out. They know that it is a small proportion of their total profession, but it is there, and it has got to be rooted out.

To amplify on what their responsibility is or should be: Once the ethics have been established, do you know if they have any self-policing within the profession?

Mr. HALAMANDARIS. In fairness, I should say Mr. Roger White, the executive director of the Illinois Medical Society, had contacted the staff in late October and met with Mr. Recktenwald and myself.

He was very helpful and very cooperative. He indicated from the beginning that these practices have existed, they were widespread, that a number of physicians were taking advantage of the system, but they wanted to do everything possible to eradicate fraud and abuse. I wanted to put that on the record.

Senator PERCY. I am delighted to hear that. I would not be surprised at all—once they see a problem, they usually jump right on it.

Senator MOSS. Now that the report is completed though, we can send that to him and ask for a response in writing from their governing body.

Mr. HALAMANDARIS. With your permission, Mr. Chairman, I would like to ask the Better Government Association to submit for the record the sworn affidavits they made concerning what took place at the storefront clinic, the people that came in, the conversations that took place, the solicitations that were made, et cetera, and have them printed as part of the hearing record.

Senator MOSS. You can do that; fine.

Mr. BRUNNER. We have those records.*

Senator PERCY. I have just a couple of questions. Can you give us some idea as to what portion, what percentage of independent clinical labs are engaged in the questionable, if not illegal, practices you have been assessing here today?

SMALL PERCENT CONTROL BULK OF MEDICAID BUSINESS

Mr. HALAMANDARIS. The percentage would be small. I would say, if we have 3,000 independent clinical laboratories in this country, about 150 would control the bulk of the medicaid business. That would be my estimate.

Senator PERCY. But of those that control the bulk, what proportion do you think are engaged in these fraudulent practices?

Mr. HALAMANDARIS. In my opening statement, I made a pretty flat statement that you apparently must give a kickback to get the account, and it is my impression that laboratories which garner large

*See appendix 2, p. 490.

amounts of medicaid funds must be offering a kickback. I am sure there are exceptions, but this is my basic assumption. For the most part it appears that if you have got medicaid money coming in, you are giving a kickback.

Senator Moss. Could I intervene? In my visit to the Masonic Hospital laboratory, the director there was pointing out that they had unused facilities.

They could have run another shift—a whole shift of people—and these facilities were not being used up to the maximum by any means. Yet they got very little—almost no medicaid business. Although the administrator was rather carefully choosing his words, he indicated that a major reason was because they had no kickback or inducement system.

Senator PERCY. That is why they are not getting the business.

Senator Moss. Yes.

Senator PERCY. How is it that these phony rates can be established? They are not based on costs. It seems that they have this tremendous leeway, that they charge these vast amounts, mainly paid by Uncle Sam. How can it be that the fee gets established and is paid? Cannot an audit by a competent Government agency determine there is no relationship between costs and charges?

Mr. HALAMANDARIS. We have something called the HEW Audit Agency. They conducted only about 200 medicaid audits since the beginning of the medicaid program. From our records and our analysis, the agency did only one audit of the clinical laboratories since the medicaid program began in 1967 to the present. The one audit of laboratories concerned the State of Illinois. It was released in 1974.

That audit is referred to in our staff report. There has been very little attention paid to the matter. As I noted, the fee schedules have not been evaluated by the States or by the Federal Government for years.

I would suggest very strongly that it is time that this were done. Perhaps the impetus might a letter from the two of you to Secretary Mathews of HEW, suggesting that we need to take a look at these fee schedules.

California has 28 separate fee schedules for clinical laboratories, if that is not confusing enough.

Senator PERCY. I would suggest, Mr. Chairman, that this be done either through Secretary Mathews or we might send a letter ourselves directly to the Governors of every State.

MILLIONS OF DOLLARS COULD BE SAVED

They are all working under tremendous pressure on budgets, and here they are paying 50 percent on costs. Here is an area where they can pick up millions of dollars just by simply enforcing a law, as it now exists.

If you can use the term "loophole" that exists in the law, is it your judgment, Mr. Halamandaris, that the loopholes have been plugged by the Federal Government? We do have an Internal Revenue Code adequate to cover this, but are we not enforcing it?

Mr. HALAMANDARIS. Yes. As I stated, the kickback statutes are explicit. There are Federal and State laws that apply. There are IRS

provisions. There are even general fraud statutes that apply. They could not be any more explicit. But none of these laws are being enforced.

Senator Moss. Well, we thank you very much for this report and for your testimony. Especially, I wish to commend the Better Government Association for their fine work and in aiding our committee staff so well in this matter.

In fact, it was indicated that, because of the funding problems, the Better Government Association, along with CBS, did pick up the costs—the rental, and whatever else was needed—to get the storefront set up. I want to express my appreciation and thanks to them.

It is a chilling report, and its implications are vast. The report is certainly welcome because it will enable us to get at fraud and abuse in medicare and medicaid. We thank you all very much.

Mr. HALAMANDARIS. Thank you, Mr. Chairman.

Senator Moss. Now, I want to give an opportunity to anyone who is named in our report, or any lab representative who desires to address the committee. If they want to refute the charges made, they have that opportunity now. The labs will be sent a copy of this transcript to which they may respond in writing.

Is there anyone that would like to come forward now?

Mr. FULLER. Mr. Chairman, I am not one of the persons that you have referred to here, but I am Garret Fuller, attorney here in Washington, representing the organization that has been known for many years as United Medical Laboratories. They are based in Portland, Oreg. It is not the United Medical Laboratory, the one that is referred to here, that was referred to last night on the "60 Minutes" show. I would like the record to show that, with your permission.

Senator Moss. It certainly will be, and I am glad you have come forward to make that clear; we do not want the two companies to be confused.

I think Mr. Recktenwald did clarify the record and I am glad you are here to underscore that the lab referred to earlier is not United Medical Laboratories which are based in Portland, Oreg.

Mr. FULLER. That is correct.

Senator Moss. Thank you very much.

Mr. FULLER. Thank you.

NO REBUTTALS TO ALLEGATIONS

Senator PERCY. I think the record should show, Mr. Chairman, that a full opportunity was provided. We offered to provide this forum to anyone against whom allegations have been made, either on the "60 Minutes" show last night, or in the news media, or in the comments made today. No one has come forward to testify on his own behalf, or on behalf of any of the organizations they represent.

I thank you very much, Mr. Chairman, for establishing that.

Senator Moss. Thank you.

Mr. FULLER. Thank you, Mr. Chairman.

Senator Moss. Now we have two very good witnesses to hear yet, and we will shift the locale from Illinois to New Jersey.

Senator PERCY. I am happy to have it shifted, Mr. Chairman.

Senator Moss. I saw you smile.

Mr. Frank L. Holstein, executive director, Commission of Investigation, Trenton, N.J., and Mr. Anthony Dickson, counsel, Commission of Investigation, Trenton, N.J.

Will those gentlemen please come forward?

STATEMENT OF FRANK L. HOLSTEIN, EXECUTIVE DIRECTOR, COMMISSION OF INVESTIGATION, TRENTON, N.J.; ACCOMPANIED BY ANTHONY DICKSON, COUNSEL

Mr. HOLSTEIN. Mr. Chairman, I am Frank L. Holstein, executive director of the New Jersey State Commission of Investigation.

With me, as you mentioned, is Mr. Anthony Dickson, also of our commission of investigation.

Senator Moss. We are pleased to have you before the committee, and we looked forward to your testimony.

You may proceed.

Mr. HOLSTEIN. Mr. Chairman, members of the committee, on behalf of the New Jersey State Commission of Investigation—SCI—I would like to thank you for this opportunity to appear before you and testify about the commission's investigation of independent clinical laboratories receiving moneys under the medicaid program. We believe we can be of particular assistance in this area because, to our knowledge, we were pioneers in undertaking such an in-depth probe into the practices and procedures of independent clinical laboratories and in exposing the abusive methods by which some of those laboratories can literally bilk the medicaid program for high profits which flow directly to the laboratory owners and, via them, also to some of the doctors supplying those laboratories with medicaid-funded test business.

Perhaps more importantly, our investigation demonstrated that the shortcomings and loopholes which had developed in the New Jersey Medicaid program presented a virtual open door to those laboratory owners to profiteer at the taxpayers' expense. Therefore, I will be putting considerable emphasis in my remarks today on how the lessons learned in our investigation have pinpointed the areas of controls and surveillance capabilities which must be improved to prevent further abuses.

NEW JERSEY PROBE NEARING COMPLETION

By way of background, let me state briefly how this particular investigation of independent clinical laboratories and the ensuing public hearings were developed by the New Jersey SCI. Early in 1975, the commission began an evaluation probe of the entire medicaid program in New Jersey, a probe which was mandated to us by request of the Governor. The SCI proceeded to set up three investigative teams to look into the three principal medicaid areas: nursing homes, hospitals, and purveyors of services other than nursing homes and hospitals. It was the last of these three major areas which covered the flow of medicaid dollars to independent clinical laboratories, doctors, pharmacists, and others. Having held several interim public

actions during this overall investigation of medicaid, we are nearing completion of that probe and hope to make a final report and recommendations to the Governor in the months ahead.

As to the other purveyors-of-services phase of our medicaid investigation, one of the earliest signs detected by us as to possible abusive practices related to the operations of some independent clinical laboratories. With the cooperation of the New Jersey State Medicaid Division, it was quickly determined that 12 of the 184 independent clinical laboratories in New Jersey were receiving more than half of the $2.2 million in medicaid funds flowing annually to all of those laboratories. Attachment A* to this statement lists medicaid reimbursement to those 12 laboratories. Additionally, data obtained from that division's bureau of surveillance indicated patterns of apparent irregularities in the practices of those laboratories which were doing an inordinate amount of medicaid-funded business. Accordingly, an in-depth investigation of those laboratories was immediately authorized by the commission.

The practices and procedures of independent clinical laboratories have quite technical aspects which can present confusing complexities to a layman without expertise in this particular field. It should be remembered these laboratories perform a wide variety of tests, the results of which are used in the diagnosis, treatment, and prevention of disease. Fortunately, the commission was able to enlist the cooperation of the New Jersey State Health Department which assigned personnel with expertise in the clinical laboratory area to assist the SCI in this investigation.

The expert personnel made field inspections of the laboratories, analyzed many hundreds of pertinent documents, and then provided the SCI with comprehensive written and oral reports. On this solid foundation, the SCI then used its investigative expertise and its full subpena and witness immunity powers to develop facts about abuses of the medicaid program in the following principal areas:

Subcontracting Reaps Large Profits.

(1) The reaping of windfall profits by some small and largely unautomated independent clinical laboratories which marked up by as much as 300 percent or more the cost of tests performed on a subcontract or referral basis by large, automated laboratories and then collected the markups from medicaid. The facts gleaned in this area as well as other areas discussed below were instrumental in documenting that the New Jersey medicaid fee schedule for reimbursing independent clinical laboratories was much too high and in need of revision downward.

(2) Numerous instances where some independent clinical laboratories were able to overbill medicaid for certain tests and even render false test claims, without these practices being detected at either the prepayment or postpayment processing levels.

(3) Rebate or kickback type practices whereby some laboratories either returned a set percentage of medicaid test fees to some of the doctors referring business to those laboratories or indulged in some

*See p. 467.

other financial-inducement-type payments to the doctors under the guise of paying for "rented space" or "office salaries" in the doctors' offices.

The transcripts of our public hearings have been made available to the committee. They contain numerous specific instances of the type of abuses summarized above. Those transcripts contain sworn testimony and reference to substantial documentary evidence which detail how specific laboratories, middlemen, and doctors engaged in the abuses of the system. That same extensive factual picture in the transcripts demonstrates that the abuses were not sparse but rather general and quite widespread in nature. Relying on those transcripts as the full and complete record of our investigation, I will review only some sample instances of various abuses in this statement, so that members of this Senate committee will have a capsule picture of how medicaid can be specifically bilked by independent clinical laboratories.

In the area of huge markups by some of the laboratories, it should be noted that in New Jersey, medicaid establishes a maximum fee level at which it will reimburse independent clinical laboratories for the tests performed.

We have submitted as an exhibit to the staff of this committee a schedule of these maximum reimbursement levels of certain tests.*

In one particular instance, we addressed ourselves as did this committee staff, to the SMA–12 test.

We showed a relatively small unautomated laboratory which was paid a maximum of $12.50 by medicaid for allegedly performing an SMA–12 test.

We uncovered a relevant document and we demonstrated that in actuality the test was never performed by this small laboratory, but was referred to a larger automated laboratory, specifically the Center for Laboratory Medicine, Inc.

This highly automated lab billed the small lab only $3.50.

Excess Payments Should Be Eliminated

Naturally, of course, the smaller lab turned around and billed medicaid $12 for basically doing nothing but providing a delivery van, and it was our suggestion, Senator, that serious consideration be given to cutting out the excess profits of the middleman.

There was absolutely nothing at that time in New Jersey medicaid plans or rules and regulations to preclude this particular kind of price gouging tactic, so you had an instance here where the State system almost constituted an open invitation for middlemen and smart money entrepreneurs to move into this particular area, and to exploit the system to a maximum profit in the manner I just described.

Also, relevant to this area of overbilling, our hearings demonstrated frequent practice by some of the laboratories of taking a single test, which produce the multiple component part results, such as the SMA–12 test. Mr. Chairman, I think you described that very well earlier this morning; we like to call that our a la carte, so that

*See attachment B, p. 467.

really you can get the whole meal, so to speak, for one very low price. But the labs were very good in the razzle-dazzle of overbilling, and would break down basically a very simple chemical and mechanical process, and charge on an a la carte basis, sometimes tripling and quadrupling the total bill in that way.

As to a specific example, the director of the Park Medical Laboratory in New Jersey conceded under questioning at hearings in New Jersey that his relatively small and unautomated laboratory did indulge in the overbilling practice of collecting for medicaid for the component parts of the multiple results tests including, in one instance, where they took seven parts of an SMA–12 test, which was performed by this Park Medical Laboratory by a big automatic lab for a mere $3.40. By this a la carte billing that we have described, he was able to bill medicaid a total of $58, by the technique that you have heard earlier this morning that you have referred to.

Obviously, that is almost five times the maximum permissible reimbursement for SMA–12 tests, and also, of course, very disturbing, Senators, that the medicaid system in New Jersey was not structured in a way to have the kind of fine filters and screens to select out this kind of semifradulent overbilling and protect the taxpayer's dollars. Since the time of our hearing and the inception of the work of this Senate subcommittee, there have been changes in the regulations that make it explicit that this is a "no-no" in the medicaid program.

There was also very significant and troubling exploits and abuses of the system in another way. This is documented as a specific example of how this Park Medical Laboratory, and some other laboratories, billed and received from medicaid $15 for each German measles test, which is known as the Rubella test. But in fact and in truth, the test had not been performed by this small and independent laboratory.

Lab Charges for "Free" Testing

The fact of the matter was that the tests had been performed free of charge for the Park Medical Laboratory by the New Jersey State Department of Health, because the New Jersey State Department of Health runs a public laboratory wherein it does testing for certain kinds of contagious and public health type diseases, and German measles is one of them. Some of the smart money boys in New Jersey in the laboratory business were sending their tests to the State owned and operated lab, where it had been done for free, and then, of course, they had turned around and billed medicaid for it.

The officials or, rather, representatives of this laboratory conceded at our hearings that this is a regular practice, so this is not an isolated example.

In the third and final area of our work—to wit, rebate or kickback type payments—we heard testimony from laboratories who do not indulge in these practices. We are referring to testimony from businessmen, physicians, and technicians who have formed and put into operations the large, very professional, and highly automated laboratories in New Jersey.

For instance, Dr. Paul Brown, who is the head of MetPath, Inc., operates a very large and highly automated laboratory, which made

it straight, and his staff of salesmen and employees were under strict orders and policy directives not to take kickbacks, not to offer kickbacks, and not to offer rebates.

As a very tragic result of this very straight policy by this laboratory, they simply were not able to get medicaid business from many of the large medicaid mills.

The testimony from Dr. Brown was that the kinds of inducements and kickbacks that some of the unscrupulous labs entered into were in several forms. First, there were the cash payments, which were euphemistically referred to as "greens," which are made by the laboratories, either directly to the doctors, or indirectly to the doctor via an office manager or nurse.

A second technique by some of these slippery operators was providing of personnel to the doctors by the laboratories, and the paying of the salaries of those personnel by the laboratories for work allegedly performed in the doctor's office.

Third, the rent of the space, such as a closet in the doctor's office or shelf in the refrigerator, and you have heard ample testimony about that here this morning.

Fourth, the providing to the doctors of goods and services such as surgical supplies or miscellaneous items such as cigars and cigarettes, or even some expensive equipment for free—is another form of inducement to get the doctor to send the lab work to a particular lab.

However, the testimony of the operators and managers of some of the ethical laboratories—some of the very sophisticated laboratories—was that they would not offer these inducements.

Now, the tragedy of that, as I respectfully see it and subject to your judgment, Senator, is that these highly automated labs, first of all, could have passed along to the taxpayers of New Jersey the benefits of technological cost saving techniques.

Technology Should Help Consumers Save

I think, Senator Percy, you will agree that one of the great points of pride in America is that we have been able to pioneer technological advances in many fields in this country, and one of the great benefits of those advances has been the ability to pass along cost savings to consumers and taxpayers because of more efficient and modern methods. So here we have a sad situation where a lab is very competent, professionally managed, and very advanced technological equipment could have been used. It would have been able to do the medicaid work for a very low price but, because it would not knuckle under to those shakedowns, it was not providing the very necessary cost savings in services.

Senator Percy. Is this lab—MetPath, Inc.—a proprietary lab?

Mr. Holstein. Yes, sir.

Senator Percy. I have difficulty in understanding why the ordinary business procedures do not operate here.

I can remember times in my own corporate experience when we had the supplier come in and say: "I cannot get business; there must be something wrong down there." Sometimes we would discover there was something wrong, and they were the ones that really brought it

to our attention. We did not depend on the police department to do this. We depended on competition in the field to figure out that even though the quality of the product is high, when you cannot get the business there must be something wrong.

Why did they not complain before you contacted them, and bring it to the attention of the district attorney, or whoever it may be? Why did they not say that there are fraudulent practices in our industry, and we want them rooted out? We want to do business the way it should be.

Mr. HOLSTEIN. That is an excellent point, Senator.

One of the discoveries we made was that in the early formulation of the medicaid program in New Jersey, some of these men were standing up in public proceedings and trying to be heard. But they were not heard; they were not listened to.

Why, and what the motivation was for not listening to them, I don't know.

Senator Moss. In earlier hearings, the pharmaceutical associations said some of this was going on, and that is one of the reasons our investigation got focused. There are some men in each profession that try to clean up fraud and abuse. They should be credited for their good work.

Mr. HOLSTEIN. We have been impressed, of course. I am sure you Senators know the frustration of hearing details and accounts of rather abusive practices, but I am sure you will agree that one of the very pleasant parts of our work is that you do hear on occasion from men of integrity and professional excellence in the medical profession. So there are the good and the bad.

Senator Moss. Is there any evidence in here of organized crime being involved? We keep hearing little overtones from our investigations on nursing home problems.

POSSIBILITY OF ORGANIZED CRIME INVOLVEMENT

Mr. HOLSTEIN. I would want to carefully select my words. I would want to avoid inflammatory conclusions where perhaps evidence is not of the kind or substance that you gentlemen, I am sure, would want, before I made such conclusions.

Let us say that there are some that do—that have the possibility of organized crime involvement, and I make that statement on a rather limited basis.

We did have a situation in New Jersey during the time of the investigation hearings where a particular middleman—salesman—between some of these unscrupulous physicians and these laboratories, which were engaged in the practices I have described—where this particular middleman did claim and invoke the privilege against self-incrimination.

The New Jersey State Commissioner of Investigation concluded that he can give relevant material evidence concerning these abusive and illegal practices, and so he was granted immunity from the use of this testimony, and he was then compelled to testify.

This person refused to testify even then. He stood moot; he remained silent. The State commissioner of investigation was com-

pelled to secure an order of contempt from the superior court—which order was obtained, sir.

The witness was then ordered by the court to answer our questions. The witness again refused and stood moot. The witness was then incarcerated some 4 or 5 days for his refusal.

I think you will agree that it was highly unique, in a field such as laboratories and doctors, that a witness would be so recalcitrant as to go to jail rather than answer the questions.

Finally, after 4 or 5 days of incarceration in one of the local county jails in New Jersey, in late June or early July and in non-air-conditioned facilities, the witness had a change of heart and did testify.

In his testimony before the commission, he, of course, described these relationships and unethical practices which we have heard of this morning concerning kickbacks, rebates, over billing, and so forth; however, we also made inquiry of him as to why he was so adamant in his original refusal to testify.

I again caution that here is the testimony of only one man—this middleman. It is unsupported; it is merely an indication of a possible danger in the shadows.

Portion of Ear Used in Threat

It is not a foundation that is strong enough but, very simply, this person testified that he received a very clear threat from some very shady characters he had never met before. He was shown, and they were shown, as part of their threat, portions of an ear. So you have the classical and very melodramatic threat that he must remain silent. It was allegedly delivered on behalf of those who did not want certain financial relationships uncovered.

Now again, I respectfully guard against talking too much from this one man's testimony, but we did receive that.

Senator Moss. But this is one single instance that you are aware of?

Mr. Holstein. Yes, sir.

Senator Percy. And we certainly know that there are markups of this kind. Persuasion is an element of salesmanship. They move in rather rapidly. The potential is very much there.

Mr. Holstein. That is correct, Senator.

Of course, as you have heard before, there were many efforts made to cover up rebates and kickbacks and to justify them in very nice euphemistic terms. You gentlemen have heard descriptions of these efforts.

Oftentimes it was said that the kickbacks were merely payments of salary, for services, or rental of space actually made available; however, the kickback story was finally told like it really is at our hearing by James Dimitrion, the supervisor of the Fairlawn Clinical and Sytology Laboratory.

Inside Mr. Dimitrion's laboratory—and, by the way, this laboratory did more medicaid business than any other medicaid lab in New Jersey—you could see that its gross revenue went very markedly up on the scale of revenues, and it doubled and tripled from 1 year

to the next. That doubling and tripling coincided with its employment of this very same salesman, who I just mentioned had invoked the privilege against self-incrimination before the commission; however, Mr. Dimitrion, the supervisor of the lab, was also given immunity to testify to the regular practice of giving kickbacks.

I think the most important question, though, is the adequacy of the maximum fee schedule.

I think our hearings demonstrated as well as the work of this committee that the New Jersey fee schedule, even when it was adopted in 1970, was keyed to a horse-and-buggy era of manual laboratory testing.

There was a lot of fat there in the fee schedules because of failure to respond to modern advances in technology, and the fat financed these mammoth, maximum kickbacks.

The basic stress of our recommendation, and I think you gentlemen respectfully have felt the same way here this morning, was that rather than having the middleman salesman get the benefits of these huge markups, let's eliminate the fat from the fee schedule and, therefore, allow the taxpayer to benefit with the savings.

The New York medicaid division reduced its maximum fee schedule for independent laboratories by 40 percent after the SCI hearings.

We suggested that a special panel be formed of persons with expertise in modern technological advances so a new fee schedule could be formulated to take into account modern technology.

During our investigation, the New Jersey medicaid division, which administers the medicaid program, undertook a substantial revision of the medicaid manual.

Tightening of Provisions Recommended

We have recommended that there should be simultaneous and thorough tightening of the provisions of both the fee schedules and the manual, so that there are more explicit definitions of various test requirements and their component parts.

We found that the language of the State fee schedule and manual required improvements were vague. As you gentlemen well know, there is always the implication to interpret and to construe to the detriment of the taxpayer, so we recommended that there be more provisions prohibiting certain practices.

It certainly is true that on the Federal level the Federal legislation prohibiting these kinds of growing kickbacks and rebates is very explicit; however, in New Jersey, up until the very recent time, there was no explicit prohibition, so you had the strange situation where, at the Federal level, it was clearly against the law to obtain or to give kickbacks, but there was the New Jersey regulation or the statute clearly providing for it. If I could be so presumptuous, Senator, I would say the one thing the Congress might consider, now and in the future, is that when it starts to involve itself in one of these 50–50 type partnership arrangements with a State in a health care situation, that the Congress may want to consider requiring from the State that the State also enact certain very explicit regulations and statutes barring such practices as condition of membership

in the program. I think this would enable State prosecutors, attorneys, and other investigative agencies to have the legal weaponry to address themselves to some of these abuses privately.

I think it is necessary to run to Washington for prosecution or for investigations, but it also would be desirable that it is done on the State level.

I think putting aside the question of illegality, it is the potential arm to the quality of laboratory work that most concerns us in a rebate situation.

In addition to rebate and financial kickback arrangements, we had uncovered situations where actually doctors had part ownership interest in laboratories.

Of course, when Mr. Dickson and I first began to work in the laboratory field, we visualized a laboratory as a big shiny, modern, clean, very dazzling operation. Of course, some of these are thankful that they are that way; however, the principle laboratories in New Jersey that are engaged in the medicaid business constituted a shock to our idealized vision of what a laboratory was. Very tragically, many of them were not operated in accordance with good sanitary conditions. In fact, this principle that they are very big—the kind of laboratory that I referred before, the Fairlawn Sytology Laboratory—did the most medicaid business of all labs in New Jersey. It was operated out of a basement. For instance, in the manual dipstick test, certain dipsticks would be used, and then used again, and again, and again, for multiple specimens, thereby contaminating each specimen.

Mr .HALAMANDARIS. Am I correct that the dipstick test costs less than a penny?

SHODDY TESTING PRACTICE SAVES PENNIES

Mr. HOLSTEIN. I would say about a penny and, of course, you put the finger right on the candle. To save a few pennies, they were using the same dipstick to maximize the profit, and removing any possibility of a fair and accurate test.

The most scary and most dangerous aspects, in addition to this, is that some of these tests involved specimens where contamination was certain to be present and would be highly contagious. This laboratory is being operated out of its basement in the middle of a residential neighborhood and these specimens are then thrown out in the garbage can. Modern technology has developed some very good machinery in which to put such specimens so that they are burned up or otherwise dealt with, so that any possibility of contamination is neutralized.

Senator PERCY. You said you were shocked as an investigator, but you have no medical background, have you?

Mr. HOLSTEIN. No, sir.

Senator PERCY. It shocked you when you saw these conditions?

Mr. HOLSTEIN. Yes.

Senator PERCY. Here was a service being performed for doctors and payments were being made. Did the doctors not investigate the labs from which they got their tests to make certain that the operation should be supported?

Mr. HOLSTEIN. Senator, you just put the finger on the point I was trying to make and I got off the track. I thank you.

That is what really upset us. Obviously, the physicians—those who get a kickback from the laboratory or who have a part proprietary interest in the laboratory—have little or no motivation to go to that lab and to take a look to see if the quality of the testing and the conditions are good or bad. Their eyes are focused on the "greens" and, therefore, the doctors tends to become unmotivated to check up on the quality.

Senator PERCY. This again is the pattern we found in the nursing homes—a lack of concern. They just do not give a damn about what kind of care is given.

They are after the buck; the faster the buck, the better. Apparently this is the case here with some doctors and some clinical labs.

Senator Moss. Did you find any linkup between these laboratories and the nursing homes—specimens coming in from there?

Mr. HOLSTEIN. We are hesitant to comment on that, because our investigative work in that area is in the process, rather than completed. I would rather not make a reckless assertion without our being able to complete it.

Senator Moss. We will allow you to complete it, just so you tell us later.

Mr. HOLSTEIN. Fine, sir.

LAB EXPERTISE SHOULD BE REQUIRED

I think another very important contribution the Congress might make is in the area of the kind of personnel the State medical administration must have.

Obviously, after months and months of work, Mr. Dickson and I have a little bit of understanding of what an SMA–12 is, although I still do not get it right. I am sure your staff has concurred that some of the technology or chemistry, and so forth, is difficult to understand, but it is absolutely imperative that the personnel staff of the State medicaid program includes people with expertise in the laboratory field.

They ought to go out and hire some lab technicians. We found they were not employed in New Jersey—not one person who had that kind of background or expertise. So these razzle-dazzle confidence-types of billing practices went right by the laymen who were kind of supposedly present to filter out the overbilling and the fraud.

We may be conversant in it now, having heard the testimony on it, but it is important that every State administration have this kind of personnel. That is one recommendation we felt very strongly about.

Senator Moss. That is a good one.

Mr. HOLSTEIN. There must also be a sufficient number of personnel, of course. Numbers are important just so that you can have good quality control in the State apparatus.

As you know, many States use fiscal intermediaries: that is, they use insurance companies as the first level to filter, so that when that

bill comes in from the doctor or the lab, it often goes to an insurance company, which acts as a fiscal intermediary under contract with the State.

That intermediary is supposed to make the original pay or no pay decision on the claim form that comes in from the lab or the doctor.

Now, whether the State apparatus is doing it through State employees or whether you are using a fiscal intermediary—that is, an insurance company—in either event, I, respectfully think the Congress might want to give attention to stipulating what constitutes a good surveillance program.

Requirements Should Be Enumerated

I think you might want to think about this in the future, if there is additional health care legislation, so that the Congress, with its expertise, could say: "Now listen here, you folks in New Jersey, Illinois, and New York, if you are going to have a State medicaid program and we are going to give you 50 percent of the funds, here is what you have to have: you have to have a computer and we will lend you some computer experts who will tell you how to set this up; you have to have some people who are expert in laboratory work and nursing home work; and you have to have some people who should be good hard-shot-type investigators in accounts."

I do not mean to build another huge bureaucracy by this suggestion, but you have to plan on who is going to be your cops, when you institute the new system, because you sure as heck are going to have your robbers. I think that is an area where the Congress can be of assistance.

Thank you very much.

Senator Moss. Thank you for a very good presentation Mr. Holstein.

The need for inspection and expertise in fraud detection certainly comes through very clearly. Even if you have a computer, and you have clerks that can interpret its printouts, you have to have somebody that knows enough about programs and procedures to understand what has to be done.

Mr. Holstein. That is right. That is exactly right.

Senator Moss. Have you noticed an increase in the number of laboratory procedures ordered with this increase in malpractice suits and premiums we are hearing so much about? Have doctors widely increased the numbers of tests they are asking for?

Mr. Holstein. Mr. Dickson, would you like to respond?

Mr. Dickson. Senator Moss, many members have come before the commission and testified as a reaction to malpractice, and large amounts of malpractice tests are ordered by physicians.

Whether or not it is a malpractice discovery, I am not prepared to say at this point: but certainly the term is used.

Senator Moss. I have heard that allegation, and that is the reason why I posed the question.

Mr. Dickson. We do not have that type of a feel for it as yet.

Senator Moss. When did New Jersey reduce its fee schedule by 40 percent?

Mr. HOLSTEIN. Sometime in the summer or fall.

Mr. DICKSON. The fees were reduced by the same medical division immediately upon the conclusion of our hearings. They would have been announced in July and, I believe, effective sometime in early September this past year.

Senator MOSS. Did this make any appreciable difference in the use of the services? Have labs gone out of business because the fees dropped?

Mr. HOLSTEIN. There was a great cry raised when the fee reduction was first announced, that many small labs would be forced out of the business.

NO DECREASE IN PARTICIPATION

We were informed by physicians, as recently as last Friday, that there has been no decrease in the numbers of labs involved in the program.

Senator PERCY. At the bottom of page 3, you talk about reaping of windfall profits, and so forth. Are markups of this size one of the reasons why medical costs are going up so high?

We know that malpractice insurance is forcing hospital bed rates up, but if the lack of surveillance in certain areas is like this, if people are reluctant to really question something of a sacrosanct nature like a clinical test or analysis, then we must conclude that individuals are not questioning what they get for very high fees. Can you not bring down the costs of medical care if you squeeze out these exorbitant profit margins and unnecessary markups?

Mr. HOLSTEIN. I think that is very well put, Senator. It is clear with proper attention paid, for instance, by the Senate Committee on Aging, that that kind of goal can be reached.

It does require a constant vigilance, because the unscrupulous entrepreneurs are, of course—they wish to take advantage of these opportunities. I think with oversight in this, you will be able to reduce the cost of health care.

Senator PERCY. I would like to ask you a question, because I feel certain that after seeing "60 Minutes" last night, a lot of people might say: "Well, that is Illinois; that is Cook County. That is not the way it is here in my State." Yet on page 4 of your prepared testimony, you say that rebates or kickback-type practices involve inducement-type payments to doctors under the guise of paying for rented space, or office salaries, in the doctor's offices. These are absolutely the same phrases technique, and methods used in Illinois.

My observation is, what happens in Illinois appears to be happening in New Jersey—the same identical pattern. Do you think this is a national pattern, that probably we would find this in as many States as we might go in, at least in the large industrial States that have very, very high concentrations of people receiving this type of service?

Mr. HOLSTEIN. I have no doubt of what you stated is correct, Senator.

I think it is a problem throughout our highly industrialized States. Basically, I think that if they have the kind of techniques that could

be used to exploit the system in one State, or New Jersey and Illinois, they can be used anyplace.

I think it is fair to presume that men and women will certainly follow the profit motive whenever government programs allow them to exploit the system.

Senator Moss. I have said that news travels fast. If they can do it in one place, they will do it in another.

Senator PERCY. That is right. It may well be as we found in nursing homes, that they were syndicated and then sold on Wall Street. It became a national pattern.

There is money to be made on the old and the poor, and so, too, there is money to be made in this field.

REDUCING PROFITS MAY BE DETERRENT

On page 8, you very wisely recommend that we have to prevent the outrageous ripoff of taxpayers' health care programs, and to bring fees down as low as possible in relation to advancing technology with respect to independent clinical laboratories and similar industries.

If we take the big or exorbitant profits out, will we automatically squeeze out all of the malpractice going on?

Mr. HOLSTEIN. I think so.

Senator Moss. Or you would take the incentive out.

Mr. HOLSTEIN. That is well put, Senator. I agree with that.

Senator Moss. On the top of page 4, it was the fat in the fee schedule that financed the markups, the overbilling practices, and the 25- to 30-percent kickbacks.

Here we are not talking about a service that has a lot of research and development behind it, where there are a lot of possible failures which build up costs. So there is no real reason to charge those exorbitant rates; is that right?

Mr. HOLSTEIN. That is correct, Senator. Ironically, the witnesses who testified from some of the large, inefficient, automated laboratories said the most important component of this overhead was not the cost of doing the test, which were a minimum cost because of automation, but the major cost is filling out the medicaid forms and then transporting the test results back to the physician.

It can be done very efficiently and very professionally if the system promotes that kind of care.

Senator PERCY. Finally, I would like to make a suggestion to States that are now investigating this area. As I look at attachment A,* it is possible to see that the Park Medical Laboratory increased from $35,565 in 1972 to $164,849 in 1974, and then increased to $205,852 in 1975.

Could you explain what happens here? That is quite a dramatic increase in business compared to the drop from $35,000 to $346 between 1972 and 1973. Could you explain what happened here? Why such a dramatic dropoff in business, unless they closed up for that year? Maybe they were closed, and then suddenly they are back flourishing.

*See p. 467.

I never saw a business that grew that fast after a precipitous downdrop. That is better than the photographic business with its cycles.

Mr. DICKSON. Senator, we have correlated the earnings of these laboratories with the appearance of the entrepreneur—salesman—on the scene.

It is these moneymen—with different means available to them to secure business. That is the answer to it.

STATES SHOULD CHECK MEDICAID RECORDS

Senator PERCY. My suggestion to every State in the Union that wants to cut their own costs and to cut down their medicaid payments, would be to just pull out of their files an annual report or record of the medicaid payments to clinical laboratories and see where the trend goes. If they see one fairly stabilized, maybe there is not much of a problem. Perhaps it would be wrong to imply that if all of them would have a dramatic increase, that this means they are engaging in these practices. But your judgment is it would be a very good thing for them to look at it?

Mr. DICKSON. Yes, sir.

Senator MOSS. I would say the States would be negligent and derelict if they did not do that.

Mr. HOLSTEIN. Evidence has been provided to you by the State of Illinois, and now the State of New Jersey, to take a good hard look to see how you can correct the malpractices.

Senator MOSS. It is obvious that some people can easily move in and really rip off the system. Medicaid, which was a noble concept when it started, has degenerated into something riddled with fraud and abuse.

Mr. HOLSTEIN. I agree with the chairman. The testimony has been extraordinarily valuable, and it would not have been complete if we did not have the highlights on Illinois.

Senator MOSS. I certainly agree with that.

I do thank you gentlemen very much.

Counsel has a question for you.

Mr. HALAMANDARIS. One last question. We discovered that a lab owner that Senator Moss visited was sending specimens from Chicago to Columbus, Ohio. He admitted to us that he was doing this, and I ask you, what precautions could he take of the specimens to insure that they were preserved? Do you see the problem I am suggesting?

Mr. DICKSON. Yes, I see it. We have seen it in New Jersey, but we were not so concerned with sending specimens out of one State and into another as much as we were in sending them from the city of Newark to, perhaps, a laboratory in the city of Patterson. The transportation was made in something of a styrofoam container.

Certainly the quality of testing done on these specimens is subject to certain conditions.

Senator MOSS. Thank you very much. I do commend you for this fine testimony. We will make your statement and its attachments a part of the record in full, so we will not lose any of it when the transcript is printed.

Thank you very much.

Mr. HOLSTEIN. Thank you, Mr. Chairman.

[The prepared statement of Mr. Holstein follows:]

PREPARED STATEMENT OF FRANK L. HOLSTEIN

Mr. Chairman and members of the committee, on behalf of the New Jersey State Commission of Investigation—S.C.I.—I would like to thank you for this opportunity to appear before you and testify about the commission's investigation of independent clinical laboratories receiving monies under the medicaid program. We believe we can be of particular assistance in this area because, to our knowledge, we were pioneers in undertaking such an in-depth probe into the practices and procedures of independent clinical laboratories and in exposing the abusive methods by which some of those laboratories can literally bilk the medicaid program for high profits which flow directly to the laboratory owners and, via them, also to some of the doctors supplying those laboratories with medicaid-funded test business.

Perhaps more importantly, our investigation demonstrated that the shortcomings and loopholes which had developed in the New Jersey medicaid program presented a virtual open door to those laboratory owners to profiteer at the taxpayers' expense. Therefore, I will be putting considerable emphasis in my remarks today on how the lessons learned in our investigation have pinpointed the areas of controls and surveillance capabilities which must be improved to prevent further abuses.

By way of background, let me state briefly how this particular investigation of independent clinical laboratories and the ensuing public hearings were developed by the New Jersey SCI. Early in 1975, the commission began an evaluation probe of the entire medicaid program in New Jersey, a probe which was mandated to us by request of the Governor. The SCI proceeded to set up three investigative teams to look into the three principal medicaid areas—nursing homes, hospitals, and purveyors of services other than nursing homes and hospitals. It was the last of these three major areas which covered the flow of medicaid dollars to independent clinical laboratories, doctors, pharmacists, and others. Having held several interim public actions during this overall investigation of medicaid, we are nearing completion of that probe and hope to make a final report and recommendations to the Governor in the months ahead.

As to the other-purveyors-of-services phase of our medicaid investigation, one of the earliest signs detected by us as to possible abusive practices related to the operations of some independent clinical laboratories. With the cooperation of the New Jersey State Medicaid Division, it was quickly determined that 12 of the 184 independent clinical laboratories in New Jersey were receiving more than half of the $2.2 million in medicaid funds flowing annually to all of those laboratories. Attachment A to this statement lists medicaid reimbursements to those 12 laboratories. Additionally, data obtained from that division's bureau of surveillance indicated patterns of apparent irregularities in the practices of those laboratories which were doing an inordinate amount of medicaid-funded business. Accordingly, an in-depth investigation of those laboratories was immediately authorized by the commission.

EXPERTISE NECESSARY IN INVESTIGATION

The practices and procedures of independent clinical laboratories have quite technical aspects which can present confusing complexities to a layman without expertise in this particular field. It should be remembered these laboratories perform a wide variety of tests, the results of which are used in the diagnosis, treatment, and prevention of disease. Fortunately, the commission was able to enlist the cooperation of the New Jersey State Health Department which assigned personnel with expertise in the clinical laboratory area to assist the SCI in this investigation.

The expert personnel made field inspections of the laboratories, analyzed many hundreds of pertinent documents and then provided the SCI with comprehensive written and oral reports. On this solid foundation, the SCI then used its investigation expertise and its full subpena and witness immunity powers to develop facts about abuses of the medicaid program in the following principal areas:

(1) The reaping of windfall profits by some small and largely unautomated independent clinical laboratories which marked up by as much as 300 percent or more the cost of tests performed on a subcontract or referral basis by large, automated laboratories and then collected the markups from medicaid. The facts gleaned in this area as well as other areas discussed below were instrumental in documenting that the New Jersey medicaid fee schedule for reimbursing independent clinical laboratories was much too high and in need of revision downward.

(2) Numerous instances where some independent clinical laboratories were able to overbill medicaid for certain tests and even render false test claims, without these practices being detected at either the prepayment or postpayment processing levels.

(3) Rebate or kickback-type practices whereby some laboratories either returned a set percentage of medicaid test fees to some of the doctors referring business to those laboratories or indulged in some other financial-inducement-type payments to the doctors under the guise of paying for "rented space" or "office salaries" in the doctors' offices.

The transcripts of our public hearings have been made available to this committee. They contain numerous, specific instances of the type of abuses summarized above. Those transcripts contain sworn testimony and reference to substantial documentary evidence which detail how specific laboratories, middlemen, and doctors engaged in the abuses of the system. That same extensive factual picture in the transcripts demonstrates that the abuses were not sparse but rather general and quite widespread in nature. Relying on those transcripts as the full and complete record of our investigation. I will review only some sample instances of various abuses in this statement, so that members of this Senate committee will have a capsule picture of how medicaid can be specifically bilked by independent clinical laboratories.

In the area of huge markups by some of the laboratories, it should be noted that in New Jersey, medicaid establishes a maximum fee level at which it will reimburse independent clinical laboratories for the tests performed. Attachment B to this statement shows that maximum reimbursement level for certain tests as of the time our investigation was being carried out. The specific, sample markup instance I will now review involves a blood chemistry analysis test performed by a device known as an SMA–12. This device reports almost instantly on the status of as many as 12 blood chemistries in any given test sample.

In this sample instance, we showed that a relatively small, unautomated laboratory, Physicians Laboratory Service, Inc., was paid the maximum of $12.50 by medicaid for allegedly performing an SMA–12 test. But by reference to appropriate documents, we showed that in actuality that test was performed on a referral basis for Physicians Laboratory by the larger, automated Center for Laboratory Medicine, Inc., which, in this instance, billed Physicians Laboratory only $3.50 for the SMA–12 test. What's more, there was nothing at that time in the New Jersey State medicaid manual of rules and regulations covering independent clinical laboratories to preclude this price-gouging tactic.

Multiple Tests Billed Separately

In the area of overbilling, our hearings demonstrated the frequent practice by some of the laboratories of taking a single test which produces multiple, component-part results, such as the chemistries by an SMA–12, and billing for each component part as if it were a separate test. As to a specific sample, Edward Gibney, director of the Park Medical Laboratory, conceded under questioning at our hearings that his relatively small, unautomated laboratory did indulge in the overbilling practice of collecting from medicaid for the component parts of multiple results tests including one instance were seven parts of an EMA–12 test, performed for Park Medical by an automated laboratory at a cost of $3.40, were billed to medicaid for a total of $58. That is almost five times the maximum permissible reimbursement of $12.50 for an SMA–12 test. And again, at the time of our investigation, the State medicaid manual contained no specific prohibition against this overbilling practice.

As to false billing, the hearings documented a specific example, among others, of how the same Park Medical Laboratory billed and received from medicaid $15 for a German measles test known as rubella titer, when, in fact, that test

had been performed free of charge for Park Medical by the New Jersey State Department of Health. The same Mr. Gibney conceded further at our hearings that it would be fair to state that during 1974 alone, there were 197 instances where Park Medical billed medicaid for rubella titer tests performed free of charge by the state. And again, there was no specific restriction in the medicaid manual at that time against this abuse of the system.

In the third area of rebate or kickback-type payments, we heard testimony from several heads of laboratories who do not indulge in those practices—that their laboratories, as a result, received only minuscule amounts of medicaid-funded business. Dr. Paul A. Brown, head of MetPath Inc., a very large and highly automated laboratory which played it straight, testified his staff has found four basic kickback techniques are being used to induce doctors to refer medicaid-funded business to independent clinical laboratories. They are, in his words:

(1) Cash payments known as "greens" which are made by the laboratories either directly to the doctors or indirectly to them via their nurses.

(2) The providing of personnel to the doctors by the laboratories and the paying of the salaries of those personnel by the laboratories for work allegedly performed in the doctors' offices.

(3) The renting of space, such as a closet, in the doctors' offices, with the "rent" often being determined as a percentage of the amount of medicaid-funded test work referred to the laboratories by the doctors.

(4) The providing to the doctors of goods and services, such as surgical supplies or miscellaneous items such as cigars and cigarettes.

The testimony of the heads of some of the laboratories indulging in financial-type inducement payments to doctors provided resounding support for Dr. Brown's testimony. For example, Saul Fuchs, director of Physicians Laboratory Service, Inc., conceded under questioning that he paid 20 percent to some doctors of what he received from medicaid for test business referred to his laboratories by those doctors. He contended the rebate payments were for the drawing of blood samples and the filling out of medicaid forms in the doctors' offices. He also conceded that he "rented" space for $150 per month in the office of another doctor who referred medicaid business to his laboratory.

Robert Kupchak, president of North Hudson Clinical Laboratories, Inc., testified he paid 25 percent of his medicaid-funded business to his laboratory. He contended these payments were for "services rendered" by the doctors in processing the specimens referred to his laboratory.

The kickback story was finally told like it really is at our hearings by James Dimitrion, supervisor of the Fairlawn Clinical and Cytology Laboratory. Mr. Dimitrion, testifying under the compulsion of a grant of witness immunity, testified to instance after instance where he agreed to kick back a specific percentage of his medicaid reimbursements to doctors supplying his laboratory with medicaid-funded test business. The initial negotiations for Fairlawn's kickback arrangements were conducted by Harry Hirshman, Fairlawn's middleman-salesman. And Fairlawn's business boomed. Mr. Dimitrion testified that 90 percent of the laboratory's business came from doctors with whom Fairlawn had arrangements to kick back 25 to 35 percent of medicaid reimbursements. He testified further that a kickback was a kickback whether it was a cash percentage or under the guises of services rendered in the doctors' offices or of payment of salaries for personnel in the doctors' offices.

Fee Schedules Should Be Updated

I now address myself to the all-important question of how do you prevent such outrageous ripoffs of a taxpayer-supported health care program for the impoverished. First of all, the State-set fee schedule for reimbursing independent clinical laboratories must be kept as low as possible in relation to advancing technology in the independent clinical laboratory industry. Our hearings demonstrated that the New Jersey fee schedule was, even when it was adopted in 1970, keyed to an already passing horse-and-buggy era of manual laboratory testing. It was the fat in the fee schedule that financed the mammoth markups, the overbilling practices, and the 25 or 30 percent kickbacks to the doctors.

After our hearings, the New Jersey Medicaid Division reduced the maximum fee schedule for independent clinical laboratories by 40 percent. Our suggestion that a special panel be formed to devise a new fee schedule geared to the industry's technology has been followed. Maximum fee schedules for reimbursement of the laboratories must be revised from time to time to reflect advances in automation.

During our investigation, the New Jersey Medicaid Division undertook the first substantial revision of the medicaid manual covering independent clinical laboratories in an attempt to close glaring insufficiencies in the controls and regulations provided by that document. We have recommended that there should be simultaneous and thorough tightening of the provisions of both the fee schedule and the manual so that they are very explicit as to the various tests and their component parts. The language of a State fee schedule and a State manual should specifically bar gross markups by middlemen-type laboratories and any practice of charging separately for component parts of a test.

The medicaid manual should, of course, contain a strong and comprehensive prohibition against any type of rebate or kickback payments from the laboratories to the doctors. We also have recommended supporting statutory reform to make it a criminal offense to engage in such practices.

Whether it is "rented space" or "office salaries" or what have you, there should be no special, favorable relationships between laboratories and physicians, even if the money paid to a doctor by a laboratory might exactly compensate the value of the work done in the doctor's office. Relationships of this type amount to an inherent conflict of interest in that the physicians have an inducement not to judge the quality and performance of the laboratories but rather to send the test business to the laboratories on the basis of personal financial gain.

The most important preventive measure, in our opinion, lies not with schedules, regulations, and laws, but rather in the detection of abusive practices both before medicaid claims have been paid to the laboratories and after such payments have been made. The medicaid division of a State must have personnel who are expert in the clinical laboratory field—individuals who can, as the experts from the State Health Department did for us in our investigation, discover and flag billing abuses in a technologically complex area. The New Jersey Medicaid Division has not had such expertise in the past, and we have recommended that this weakness be corrected.

Besides sufficient expertise, there also should be sufficient numbers of surveillance personnel to ride constant herd not only on the laboratories which have received medicaid payments but also on the State's fiscal intermediary used to process the medicaid payment claims from the laboratories. New Jersey, like many other States, uses insurance companies with extensive computer capacity to do such prepayment processing. Our investigation showed that despite one company's capacity and capability, billing abuses in numerous instances had gone unflagged.

The responsibility for alert monitoring of the performance of the fiscal intermediary rests with the State medicaid division. The division must have the expert personnel who can constantly check to see if insufficiently educated and trained personnel are being used by the intermediary to process claims or if a random sampling method of validating claims by the intermediary is insufficient or if any other failures are occurring.

Any investment by a State in a superior and effective surveillance system should be viewed as a productive and rewarding step in that it can both stop overpayments to the laboratories before those payments occur and also recover any overpayments that have been made to the laboratories.

Mr. Chairman and members of the committee, thank you for listening to me today. I will now attempt to answer any questions you may have.

ATTACHMENT A.—MEDICAID PAYMENTS TO CERTAIN INDEPENDENT CLINICAL LABORATORIES (1972–75)

	1972	1973	1974	1975 (January–April
Fair Lawn Clinical and Cytology Lab	$27,114	$127,707	$253,855	$39,650
Park Medical Laboratory	35,565	346	164,849	205,852
South Jersey Diagnostic Center		88,694	129,117	60,759
Ludlow Clinical Lab, Inc		4,700	118,747	113,080
North Bergen Clinical Lab	199	52,839	111,893	204
Laboratory Procedures	15,183	22,632	84,820	48,156
North Hudson Clinical Labs., Inc			75,591	80,495
Paterson Diagnostic Center	38,982	147,574	62,027	
Roche Clinical Lab	38,895	40,527	60,638	45,926
Elizabeth Bio-Chemical Lab	24,572	26,416	59,492	769
Center for Laboratory Medicine	12,302	30,389	53,253	33,313
Physicians Lab Service, Inc	1,509	19,300	52,466	14,377

ATTACHMENT B.—MAXIMUM MEDICAID REIMBURSEMENT FOR CERTAIN LABORATORY TESTS

Code	Name	Maximum medicaid reimbursement
8628	Complete blood count, hemoglobin white cells, red cells and/or hematocrit, differential.	$5.00
8710	Protein bound iodine (PBI)	10.00
8719	SMA–12/60	12.50
8751	T–3	10.00
8752	T–4	10.00
8961	Pregnancy test—immunologic	7.50
8962	Pregnancy test—animal (rabbit or rat)	10.00
8652	Cholesterol, total	5.00
8654	Cholesterol, total and esters	7.00
8761	Triglycerides	15.00
8936	Urine Analysis (complete routine chemical and microscopic)	2.00
8722	Glucose (sugar) quantitative or 2-hour pp/3-hour pp	5.00
8675	Flocculation tests (Kline, Mazzini, each VDRL, etc.)	2.50
8476	Ova and parasites, concentrated method	2.50
8459	Culture with sensitivity studies, bacterial disc technique, up to 10 antibodies	15.00
8911	Cytological study (Papinicolaou smear)	5.00
8745	Urea nitrogen (or N.P.N.)	5.00
8664	Creatinine or creatine	5.00

Senator Moss. I want to say that this committee will continue on this type of investigative effort; perhaps we will not be on the laboratories next time, but we will be looking at all phases of care for the elderly, and the possible medicare and medicaid abuses that may exist.

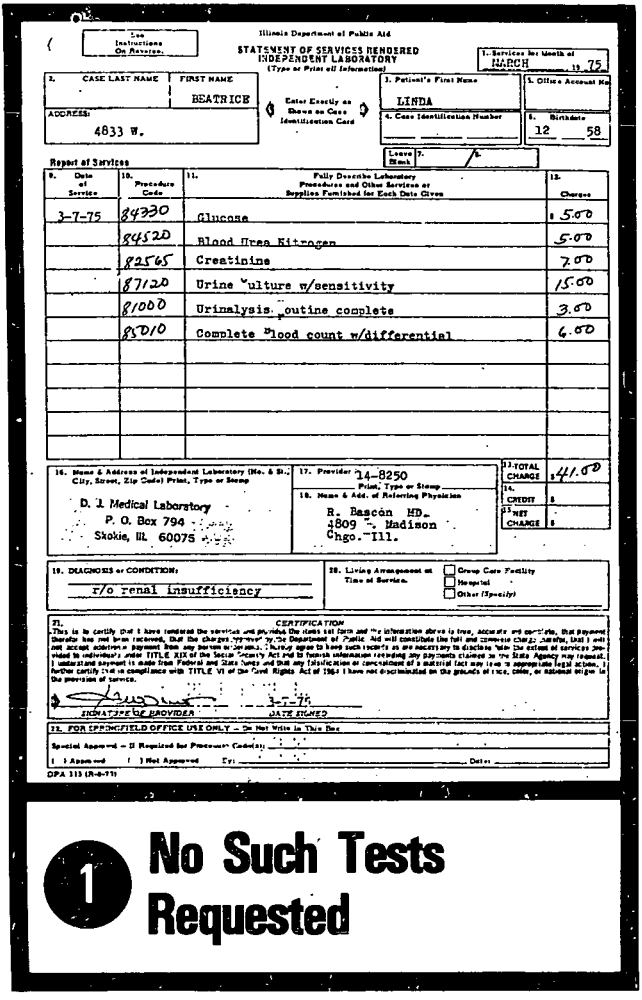
We now stand in recess.

[Whereupon, the hearing was adjourned at 12:40 p.m.]

APPENDIXES

Appendix 1

Twenty bills, chosen at random, presented for payment by D. J. Medical Laboratory in Chicago, Ill., purportedly on behalf of Dr. R. Bascon, 4809 West Madison. In 12 of the 20 cases, the physician had no record of seeing the patient. The aggregate total paid by medicaid for these 20 bills was $885. According to Dr. Bascon's records, only $119 of this amount was actually ordered by him. Following each individual bill is a caption with specific details.



Illinois Department of Public Aid

STATEMENT OF SERVICES RENDERED
INDEPENDENT LABORATORY
(Type or Print all Information)

1. Services for Month of: MARCH 19 75

2. CASE LAST NAME: — FIRST NAME: BEATRICE
ADDRESS: 4833 W.

3. Patient's First Name: LINDA
4. Case Identification Number:
5. Office Account No.
6. Birthdate: 12 58

Report of Services

9. Date of Service	10. Procedure Code	11. Fully Describe Laboratory Procedures and Other Services or Supplies Furnished for Each Date Given	12. Charges
3-7-75	84330	Glucose	$ 5.00
	84520	Blood Urea Nitrogen	5.00
	82565	Creatinine	7.00
	87120	Urine culture w/sensitivity	15.00
	81000	Urinalysis routine complete	3.00
	85010	Complete Blood count w/differential	6.00

16. Name & Address of Independent Laboratory (No. & St., City, Street, Zip Code) Print, Type or Stamp:
D. J. Medical Laboratory
P. O. Box 794
Skokie, Ill. 60075

17. Provider 14-8250 (Print, Type or Stamp)
18. Name & Add. of Referring Physician
R. Bascon MD.
4809 W. Madison
Chgo. Ill.

12. TOTAL CHARGE: $ 41.00
14. CREDIT: $
15. NET CHARGE: $

19. DIAGNOSIS or CONDITION: r/o renal insufficiency

20. Living Arrangement at Time of Service: ☐ Group Care Facility ☐ Hospital ☐ Other (Specify)

21. CERTIFICATION
This is to certify that I have rendered the services and provided the items set forth and the information above is true, accurate and complete, that payment therefor has not been received, that the charges reported to the Department of Public Aid will constitute the full and complete charge, and that I will not accept additional payment from any person or persons. I further agree to have such records as are necessary to disclose fully the extent of services provided to individual's under TITLE XIX of the Social Security Act and to furnish information regarding any payments claimed to the State Agency may request. I understand payment is made from Federal and State funds and that any falsification or concealment of a material fact may lead to appropriate legal action. I further certify that in compliance with TITLE VI of the Civil Rights Act of 1964 I have not discriminated on the grounds of race, color, or national origin in the provision of service.

SIGNATURE OF PROVIDER — DATE SIGNED: 3-7-75

22. FOR SPRINGFIELD OFFICE USE ONLY — Do Not Write in This Box
Special Approval — If Required for Procedure Code(s):
[ ] Approved [ ] Not Approved By: Date:

DPA 113 (R-9-73)

1 No Such Tests Requested

70-482 O - 76 - 5

See Instructions On Reverse

Illinois Department of Public Aid

STATEMENT OF SERVICES RENDERED
INDEPENDENT LABORATORY
(Type or Print all Information)

2. CASE LAST NAME	FIRST NAME	3. Patient's First Name	5. Office Accounting
	GLORIA	GLORIA	

ADDRESS: 5021 W.

Enter Exactly as Shown on Case Identification Card

4. Case Identification Number

6. Birthdate: 10 11 55

Leave Blank: 7. 8.

Period of Services

9. Date of Service	10. Procedure Code	11. Fully Describe Laboratory Procedures and Other Services or Supplies Furnished for Each Date Given	12. Charges
	84520	Blood urea nitrogen	$ 3.60
	82565	Creatinine	7.60
	87120	Urine culture w/ sensitivity	15.60
	81000	Urinalysis routine comrlete	3.60
	85010	Complete blood count w/ diff.	6.60

16. Name & Address of Independent Laboratory (No. & St., City, Street, Zip Code) Print, Type or Stamp	17. Provider # 14-8250 Print, Type or Stamp	13. TOTAL CHARGE	$ 36.00
D. J. Medical Laboratory P. O. Box 724 Chicago, Ill. 60078	18. Name & Add. of Referring Physician R. Bascon, M.D. 4809 W. Madison Chgo., Ill.	14. CREDIT	$
		15. NET CHARGE	$

19. DIAGNOSIS or CONDITION:

20. Living Arrangement at Time of Service.
- ☐ Group Care Facility
- ☐ Hospital
- ☐ Other (Specify)

21. CERTIFICATION

This is to certify that I have rendered the services and provided the items set forth and the information above is true, accurate and complete, that payment therefor has not been received, that the charges approved by the Department of Public Aid will constitute the full and complete charge therefor, that I will not accept additional payment from any person or persons. I hereby agree to keep such records as are necessary to disclose fully the extent of services provided to individuals under TITLE XIX of the Social Security Act and to furnish information regarding any payments claimed as the State Agency may request. I understand payment is made from Federal and State funds and that any falsification or concealment of a material fact may lead to appropriate legal action. I further certify that in compliance with TITLE VI of the Civil Rights Act of 1964 I have not discriminated on the grounds of race, color, or national origin in the provision of service.

MAR 17 1975

SIGNATURE OF PROVIDER — DATE SIGNED

22. FOR SPRINGFIELD OFFICE USE ONLY — Do Not Write in This Box

Special Approval — If Required for Procedure Code(s): _____

( ) Approved ( ) Not Approved By: _____ Date: _____

2 Tests Not Requested
No Blood Taken

See Instructions On Reverse.

Illinois Department of Public Aid

STATEMENT OF SERVICES RENDERED
INDEPENDENT LABORATORY
(Type or Print all Information)

1. Services for Month of: FEB 1975

2. CASE LAST NAME: | FIRST NAME: BETTY JEAN

ADDRESS: 409 S.

Enter Exactly as Shown on Case Identification Card

3. Patient's First Name: BETTY

4. Case Identification Number:

5. Office Account No.:

6. Birthdate: 10 49

Leave Blank 7. 8.

Report of Services

9. Date of Service	10. Procedure Code	11. Fully Describe Laboratory Procedures and Other Services or Supplies Furnished for Each Date Given	12. Charges
FEB 6 1975	84330	Glucose	$ 5.00
	84520	Bloodurea nitrogen	5.00
	82565	Creatinine	7.00
	81000	Urinalysis routine complete	3.00
	85010	Complete blood count w/ diff.	6.00

16. Name & Address of Independent Laboratory (No. & St., City, State, Zip Code) Print, Type or Stamp
D. J. Medical Laboratory
P. O. Box 794
Skokie, Ill. 60076

17. Provider # 14-8250 Print, Type or Stamp

18. Name & Add. of Referring Physician
R. Bascon, MD.
4809 W. Madison
Chgo., Ill.

13. TOTAL CHARGE: $ 26.00
14. CREDIT: $
15. NET CHARGE: $

19. DIAGNOSIS or CONDITION: Hypertension

20. Living Arrangement at Time of Service. ☐ Group Care Facility ☐ Hospital ☐ Other (Specify)

21. CERTIFICATION
This is to certify that I have rendered the services and provided the items set forth and the information above is true, accurate and complete, that payment therefor has not been received, that the charges sponsored by the Department of Public Aid will constitute the full and complete charge therefor, that I will not accept additional payment from any person or persons, I hereby agree to keep such records as are necessary to disclose fully the extent of services provided to individuals under TITLE XIX of the Social Security Act and to furnish information regarding any payments claimed by the State Agency may request. I understand payment is made from Federal and State funds and that any falsification or concealment of a material fact may lead to appropriate legal action. I further certify that in compliance with TITLE VI of the Civil Rights Act of 1964 I have not discriminated on the grounds of race, color, or national origin in the provision of service.

SIGNATURE OF PROVIDER — DATE SIGNED: FEB 6 1975

22. FOR SPRINGFIELD OFFICE USE ONLY — Do Not Write In This Box

Special Approval — If Required for Procedure Code(s): ( ) Approved ( ) Not Approved By: Date:

3 Visited Doctor Jan. 21, 1975. No Laboratory Work Requested

See Instructions On Reverse.

Illinois Department of Public Aid

STATEMENT OF SERVICES RENDERED INDEPENDENT LABORATORY

(Type or Print all Information)

1. Services for Month of Aug. 19 75

2. CASE LAST NAME: | FIRST NAME: Barbara

ADDRESS: 5101 W

Enter Exactly as Shown on Case Identification Card

3. Patient's First Name: Barbara

5. Office Account No.: 818714

4. Case Identification Number:

6. Birthdate: 11 [illegible] 42

Leave Blank 7.

Report of Services

9. Date of Service	10. Procedure Code	11. Fully Describe Laboratory Procedures and Other Services or Supplies Furnished for Each Date Given	12. Charges
8/28/75	87095	Throat Culture W/Sensitivity	$ 15.00
	84475	Triglycerides	10.00
	83440	T-3	15.00
	83440	T-4	15.00
	85010	Complete Blood Count W/Diff.	6.00
	81000	Urinalysis Complete Routine	3.60
	82465	Cholesterol	5.60

16. Name & Address of Independent Laboratory (No. & St., City, State, Zip Code) Print, Type or Stamp

D. J. MEDICAL LABORATORY
P. O. Box 794
Skokie, Illinois 60076

17. Provider # 14-8250 Print, Type or Stamp

18. Name & Add. of Referring Physician

R. Bascon M.D.
4809 W Madison
Chg, Ill.

13. TOTAL CHARGE $ 69.00

14. CREDIT $

15. NET CHARGE $

19. DIAGNOSIS or CONDITION: Chronic Thyroiditis

20. Living Arrangement at Time of Service. ☐ Group Care Facility ☐ Hospital ☐ Other (Specify)

21. CERTIFICATION

This is to certify that I have rendered the services and provided the items set forth and the information above is true, accurate and complete, that payment therefor has not been received, that the charges approved by the Department of Public Aid will constitute the full and complete charge therefor, that I will not accept additional payment from any person or persons. I further agree to keep such records as are necessary to disclose fully the extent of services provided to individuals under TITLE XIX of the Social Security Act and to furnish information regarding any payments claimed as the State Agency may request. I understand payment is made from Federal and State funds and that any falsification or concealment of a material fact may lead to appropriate legal action. I further certify that in compliance with TITLE VI of the Civil Rights Act of 1964 I have not discriminated on the grounds of race, color, or national origin in the provision of service.

[illegible] 8/28/75

SIGNATURE OF PROVIDER — DATE SIGNED

22. FOR SPRINGFIELD OFFICE USE ONLY – Do Not Write in This Box

Special Approval – If Required for Procedure Code(s): _____

( ) Approved ( ) Not Approved By: _____ Date: _____

DPA 315 (R 8-73)

4 No Such Tests Requested No Blood Drawn

See Instructions On Reverse.

Illinois Department of Public Aid

STATEMENT OF SERVICES RENDERED INDEPENDENT LABORATORY

(Type or Print all Information)

1. Services for Month of: FEB 1975

2. CASE LAST NAME: | FIRST NAME: SHIRLEY

ADDRESS: 4901 W.

Enter Exactly as Shown on Case Identification Card

3. Patient's First Name: SHIRLEY

5. Office Account No.:

4. Case Identification Number: 04

6. Birthdate: 4 39

Leave Blank | 7.

Report of Services

9. Date of Service	10. Procedure Code	11. Fully Describe Laboratory Procedures and Other Services or Supplies Furnished for Each Date Given	12. Charges
FEB 1 0 1975	86360	Latex RA	$ 7.00
	85650	Sedimentation rate	4.00
	84550	Uric Acid	5.00
	86060	ASO Titer	7.00
	84075	Alkaline phosphatase	7.00
	86140	C-reactive protein	7.00
	87075	Sputum culture w/ sensitivity	15.00

16. Name & Address of Independent Laboratory (No. & St., City, Street, Zip Code) Print, Type or Stamp

D. J. Medical Laboratory
P. O. Box 794
Skokie. Ill. 60076

17. Provider # 14-8250 Print, Type or Stamp

18. Name & Add. of Referring Physician
R. Bascon, MD.
4809 W. Madison
Chgo., Ill.

13. TOTAL CHARGE: $ 52.00
14. CREDIT: $
15. NET CHARGE: $

19. DIAGNOSIS or CONDITION: Rheumatoid arthritis, hypertension

20. Living Arrangement at Time of Service. ☐ Group Care Facility ☐ Hospital ☐ Other (Specify)

21. CERTIFICATION

This is to certify that I have tendered the services and provided the items set forth and the information above is true, accurate and complete, that payment therefor has not been received, that the charges approved by the Department of Public Aid will constitute the full and complete charge therefor, that I will not accept additional payment from any person or persons. I hereby agree to keep such records as are necessary to disclose fully the extent of services provided to individuals under TITLE XIX of the Social Security Act and to furnish information regarding any payments claimed as the State Agency may request. I understand payment is made from Federal and State funds and that any falsification or concealment of a material fact may lead to appropriate legal action. I further certify that in compliance with TITLE VI of the Civil Rights Act of 1964 I have not discriminated on the grounds of race, color, or national origin in the provision of service.

SIGNATURE OF PROVIDER — DATE SIGNED: FEB 1 0 1975

22. FOR SPRINGFIELD OFFICE USE ONLY – Do Not Write in This Box

Special Approval – If Required for Procedure Code(s): _____

( ) Approved ( ) Not Approved By: _____ Date: _____

IDPA 114 (R-8-71)

5 No Record of a Patient With This Name

See Instructions On Reverse.

Illinois Department of Public Aid

STATEMENT OF SERVICES RENDERED INDEPENDENT LABORATORY

(Type or Print all Information)

1. Services for Month of: FEB 1975

2. CASE LAST NAME: | FIRST NAME: VERNON

ADDRESS: 11722 S.

Enter Exactly as Shown on Case Identification Card

3. Patient's First Name: OLIVIA

4. Case Identification Number: 04

5. Office Account No.:

6. Birthdate: 8 58

Leave Blank: 7. 8.

Report of Services

9. Date of Service	10. Procedure Code	11. Fully Describe Laboratory Procedures and Other Services or Supplies Furnished for Each Date Given	12. Charges
FEB 6 1975	84330	Glucose	$ 5.00
	84520	Blood urea nitrogen	5.00
	82565	Creatinine	7.00
	87130	Urine Culture w/ sensitivity	13.00
	81000	Urinalysis routine complete	3.00
	85010	Complete blood count w/ diff.	6.00

16. Name & Address of Independent Laboratory (No. & St., City, Street, Zip Code) Print, Type or Stamp

D. J. Medical Laboratory
P. O. Box 794
Skokie, Ill. 60076

17. Provider # 14-8250 Print, Type or Stamp

18. Name & Add. of Referring Physician

R. Bascon, MD.
4809 W. Madison
Chgo., Ill.

13. TOTAL CHARGE	$ 41.00
14. CREDIT	$
15. NET CHARGE	$

19. DIAGNOSIS or CONDITION: Genito-urinary tract infection, anemia

20. Living Arrangement at Time of Service. ☐ Group Care Facility ☐ Hospital ☐ Other (Specify)

21. CERTIFICATION

This is to certify that I have rendered the services and provided the items set forth and the information above is true, accurate and complete, that payment therefor has not been received, that the charges approved by the Department of Public Aid will constitute the full and complete charge therefor, that I will not accept additional payment from any person or persons, I hereby agree to keep such records as are necessary to disclose fully the extent of services provided to individuals under TITLE XIX of the Social Security Act and to furnish information regarding any payments claimed as the State Agency may request. I understand payment is made from Federal and State funds and that any falsification or concealment of a material fact may lead to appropriate legal action. I further certify that in compliance with TITLE VI of the Civil Rights Act of 1964 I have not discriminated on the grounds of race, color, or national origin in the provision of service.

[signature] FEB 8 1975

SIGNATURE OF PROVIDER — DATE SIGNED

22. FOR SPRINGFIELD OFFICE USE ONLY — Do Not Write in This Box

Special Approval — If Required for Procedure Code(s): ____

( ) Approved ( ) Not Approved By: ____ Date: ____

6 No Visit to Doctor in January or February '75

See Instructions On Reverse.

Illinois Department of Public Aid

STATEMENT OF SERVICES RENDERED INDEPENDENT LABORATORY

(Type or Print all Information)

1. Services for Month of: MARCH, 19 75

2. CASE LAST NAME: | FIRST NAME: LAVERNE

ADDRESS: 4676 W.

Enter Exactly as Shown on Case Identification Card

3. Patient's First Name: ISHA

5. Office Account No.:

4. Case Identification Number: 04

6. Birthdate: 2 74

Leave Blank: 7. / 8.

Report of Services

9. Date of Service	10. Procedure Code	11. Fully Describe Laboratory Procedures and Other Services or Supplies Furnished for Each Date Given	12. Charges
3-4-75	85010	Complete blood count w/differential	$ 6.00
	85650	Sedimentation rate	4.00
	85640	Retic count	4.00
	83550	T. Iron Binding capacity	10.00
	82250	T. Bilirubin	7.00

16. Name & Address of Independent Laboratory (No. & St., City, Street, Zip Code) Print, Type or Stamp

D. J. Medical Laboratory
P. O. Box 794
Skokie, Ill. 60076

17. Provider # 14-8250 Print, Type or Stamp

18. Name & Add. of Referring Physician

R. Pascon MD.
4809 W. Madison
Chgo. Ill.

13. TOTAL CHARGE: $ 31.00

14. CREDIT: $

15. NET CHARGE: $

19. DIAGNOSIS or CONDITION: nutritional anemia

20. Living Arrangement at Time of Service. ☐ Group Care Facility ☐ Hospital ☐ Other (Specify)

21. CERTIFICATION

This is to certify that I have rendered the services and provided the items set forth and the information above is true, accurate and complete, that payment therefor has not been received, that the charges approved by the Department of Public Aid will constitute the full and complete charge therefor, that I will not accept additional payment from any person or persons, I hereby agree to keep such records as are necessary to disclose fully the extent of services provided to individuals under TITLE XIX of the Social Security Act and to furnish information regarding any payments claimed as the State Agency may request. I understand payment is made from Federal and State funds and that any falsification or concealment of a material fact may lead to appropriate legal action. I further certify that in compliance with TITLE VI of the Civil Rights Act of 1964 I have not discriminated on the grounds of race, color, or national origin in the provision of service.

[signature] 3/4/75

SIGNATURE OF PROVIDER — DATE SIGNED

22. FOR SPRINGFIELD OFFICE USE ONLY — Do Not Write in This Area

Special Approval — If Required for Procedure Code(s): ____

( ) Approved ( ) Not Approved By: ____ Date: ____

DPA 315 (R-8-73)

7 **No Such Tests Requested. No Visit to Doctor in March 1975**

See Instructions On Reverse.

Illinois Department of Public Aid

STATEMENT OF SERVICES RENDERED INDEPENDENT LABORATORY

(Type or Print all Information)

1. Services for Month of: FEB 1975

2. CASE LAST NAME: | FIRST NAME: FANNIE

ADDRESS: 21 N.

Enter Exactly as Shown on Case Identification Card

3. Patient's First Name: FANNIE

4. Case Identification Number: 04

5. Office Account No.:

6. Birthdate: 8 49

Leave Blank: 7. 8.

Report of Services

9. Date of Service	10. Procedure Code	11. Fully Describe Laboratory Procedures and Other Services or Supplies Furnished for Each Date Given	12. Charges
FEB 5 1975	84330	Glucose	$ 5.00
	84520	Blood urea nitrogen	5.00
	82565	Creatinine	7.00
	87130	Urine culture w/ sensitivity	15.00
	81000	Urinelysis routine complete	3.00
	85010	Complete blood count w/ diff.	6.00

16. Name & Address of Independent Laboratory (No. & St., City, Street, Zip Code) Print, Type or Stamp

D. J. Medical Laboratory
P. O. Box 794
Skokie, Ill. 60076

17. Provider # 14-8250 Print, Type or Stamp

18. Name & Add. of Referring Physician
R. Bascon, MD.
4809 W. Madisnn
Chgo., Ill.

13. TOTAL CHARGE: $ 41.00

14. CREDIT: $

15. NET CHARGE: $

19. DIAGNOSIS or CONDITION: P/o Pyelonephritis

20. Living Arrangement at Time of Service. ☐ Group Care Facility ☐ Hospital ☐ Other (Specify)

21. CERTIFICATION

This is to certify that I have rendered the services and provided the items set forth and the information above is true, accurate and complete, that payment therefor has not been received, that the charges approved by the Department of Public Aid will constitute the full and complete charge therefor, that I will not accept additional payment from any person or persons, hereby agree to keep such records as are necessary to disclose fully the extent of services provided to individuals under TITLE XIX of the Social Security Act and to furnish information regarding any payments claimed as the State Agency may request. I understand payment is made from Federal and State funds and that any falsification or concealment of a material fact may lead to appropriate legal action. I further certify that in compliance with TITLE VI of the Civil Rights Act of 1964 I have not discriminated on the grounds of race, color, or national origin in the provision of service.

SIGNATURE OF PROVIDER — DATE SIGNED: FEB 5 1975

22. FOR SPRINGFIELD OFFICE USE ONLY — Do Not Write in This Box

Special Approval — If Required for Procedure Code(s):

( ) Approved ( ) Not Approved By: _____ Date: _____

DPA 115 (R-6-71)

8 1st Visit to Doctor was Feb. 17, 1975

Illinois Department of Public Aid

See Instructions On Reverse.

STATEMENT OF SERVICES RENDERED INDEPENDENT LABORATORY
(Type or Print all Information)

1. Services for Month of: MARCH, 19 75

2. CASE LAST NAME	FIRST NAME
	OTIS

ADDRESS: 5115 W.

Enter Exactly as Shown on Case Identification Card

3. Patient's First Name: OTIS

5. Office Account No.:

4. Case Identification Number: 03

6. Birthdate: 12 43

Leave Blank 7. 8.

Report of Services

9. Date of Service	10. Procedure Code	11. Fully Describe Laboratory Procedures and Other Services or Supplies Furnished for Each Date Given	12. Charges
3-7-75	86360	LATEX RA	$ 7.00
	85650	SEDIMENTATION RATE	4.00
	84550	URIC ACID	5.00
	86060	ASO TITER	7.00
	84075	ALK. PHOSPHATASE	7.00
	86140	C-REACTIVE PRO	7.00

16. Name & Address of Independent Laboratory (No. & St., City, Street, Zip Code) Print, Type or Stamp

D. I. Medical Laboratory
P. O. Box 794
Skokie, Ill. 60076

17. Provider # 14-8250 Print, Type or Stamp

18. Name & Add. of Referring Physician

R. RESCON MD.
4809 W. MADISON
CHGO. ILL.

13. TOTAL CHARGE: $ 37.00
14. CREDIT: $
15. NET CHARGE: $

19. DIAGNOSIS or CONDITION: rheumatoid arthritis

20. Living Arrangement at Time of Service. ☐ Group Care Facility ☐ Hospital ☐ Other (Specify)

21. CERTIFICATION

This is to certify that I have rendered the services and provided the items set forth and the information above is true, accurate and complete, that payment therefor has not been received, that the charges approved by the Department of Public Aid will constitute the full and complete charge therefor, that I will not accept additional payment from any person or persons, I hereby agree to keep such records as are necessary to disclose fully the extent of services provided to individuals under TITLE XIX of the Social Security Act and to furnish information regarding any payments claimed as the State Agency may request. I understand payment is made from Federal and State funds and that any falsification or concealment of a material fact may lead to appropriate legal action. I further certify that in compliance with TITLE VI of the Civil Rights Act of 1964 I have not discriminated on the grounds of race, color, or national origin in the provision of service.

SIGNATURE OF PROVIDER — DATE SIGNED: 3-7-75

22. FOR SPRINGFIELD OFFICE USE ONLY — Do Not Write in This Box

Special Approval — If Required for Procedure Code(s): ____

( ) Approved ( ) Not Approved By: ____ Date: ____

DPA 315 (R-5-73)

9 No Such Tests Requested. No Visit to Doctor in March 1975

See Instructions On Reverse.

Illinois Department of Public Aid

STATEMENT OF SERVICES RENDERED INDEPENDENT LABORATORY

(Type or Print all Information)

1. Services for Month of: FEB 1975

2. CASE LAST NAME	FIRST NAME
	LINDA

ADDRESS: 1622 S.

Enter Exactly as Shown on Case Identification Card

3. Patient's First Name: LINDA

5. Office Account No.:

4. Case Identification Number: 04

6. Birthdate: 1 53

Leave Blank: 7. 8.

Report of Services

9. Date of Service	10. Procedure Code	11. Fully Describe Laboratory Procedures and Other Services or Supplies Furnished for Each Date Given	12. Charges
FEB 7 1975	84330	Glucose	$ 5.00
	84520	Blood urea nitrogen	5.00
	82465	Cholesterol	5.00
	84550	Uric acid	5.00
	85010	Complete blood count w/ diff.	6.00
	81000	Urinalysis routine complete	3.00

16. Name & Address of Independent Laboratory (No. & St., City, Street, Zip Code) Print, Type or Stamp

D. J. Medical Laboratory
P. O. Box 794
Skokie, Ill. 60076

17. Provider # 14-8250 Print, Type or Stamp

18. Name & Add. of Referring Physician

R. Bascon, MD.
4809 W. Madison
Chgo. Ill.

13. TOTAL CHARGE $ 29.00

14. CREDIT $

15. NET CHARGE $

19. DIAGNOSIS or CONDITION: Hypertension, r/o diabetes

20. Living Arrangement at Time of Service. ☐ Group Care Facility ☐ Hospital ☐ Other (Specify)

21. CERTIFICATION

This is to certify that I have rendered the services and provided the items set forth and the information above is true, accurate and complete, that payment therefor has not been received, that the charges approved by the Department of Public Aid will constitute the full and complete charge therefor, that I will not accept additional payment from any person or persons. I hereby agree to keep such records as are necessary to disclose fully the extent of services provided to individuals under TITLE XIX of the Social Security Act and to furnish information regarding any payments claimed as the State Agency may request. I understand payment is made from Federal and State funds and that any falsification or concealment of a material fact may lead to appropriate legal action. I further certify that in compliance with TITLE VI of the Civil Rights Act of 1964 I have not discriminated on the grounds of race, color, or national origin in the provision of service.

SIGNATURE OF PROVIDER — DATE SIGNED: FEB 1975

22. FOR SPRINGFIELD OFFICE USE ONLY – Do Not Write in This Box

Special Approval – If Required for Procedure Code(s): _____

( ) Approved ( ) Not Approved By: _____ Date: _____

DPA 315 (R-8-73)

10 No Such Tests Requested. No Visit to Doctor in February '75

See Instructions On Reverse.

Illinois Department of Public Aid

STATEMENT OF SERVICES RENDERED
INDEPENDENT LABORATORY
(Type or Print all Information)

1. Services for Month of: July 19 75

2. CASE LAST NAME: | FIRST NAME: Clairstine
ADDRESS:

Enter Exactly as Shown on Case Identification Card

3. Patient's First Name: Clairstine
3. Office Account No: 806329
4. Case Identification Number: 04 - - -
5. Birthdate: 4 1 38

Leave Blank 7. /8.

Report of Services

9. Date of Service	10. Procedure Code	11. Fully Describe Laboratory Procedures and Other Services or Supplies Furnished for Each Date Given	12. Charges
7-31-75	85010	Complete Blood Count w/diff.	$ 6.00
	85650	Sedimentation rate	4.00
	85640	Retic count	4.00
	83550	T. Iron Binding Capacity	10.00
	82250	T. Bilirubin	7.00
	81000	Urinalysis routine complete	3.00
	85010	Complete Blood Count w/diff.	6.00
	87095	Vaginal culture w/ sensitivity	15.00
	88100	Pap Smear	10.00
	~~87014~~ 87015	Stat Urethral Smear	~~9.00~~

16. Name & Address of Independent Laboratory (No. & St., City, Street, Zip Code) Print, Type or Stamp

D. J. MEDICAL LABORATORY
P. O. Box 794
Skokie, Illinois 60076

17. Provider # 14-8250
Print, Type or Stamp

18. Name & Add. of Referring Physician
R. Bascon MD
4809 W. Madison
Chgo. Ill.

13. TOTAL CHARGE $ 69.00
14. CREDIT $
15. NET CHARGE $

19. DIAGNOSIS or CONDITION: Non Specific vaginitis
R/O Uremia

20. Living Arrangement at Time of Service.
☐ Group Care Facility
☐ Hospital
☐ Other (Specify)

21. CERTIFICATION

This is to certify that I have rendered the services and provided the items set forth and the information above is true, accurate and complete, that payment therefor has not been received, that the charges approved by the Department of Public Aid will constitute the full and complete charge therefor, that I will not accept additional payment from any person or persons. I further agree to keep such records as are necessary to disclose fully the extent of services provided to individuals under TITLE XIX of the Social Security Act and to furnish information regarding any payments claimed as the State Agency may request. I understand payment is made from Federal and State funds and that any falsification or concealment of a material fact may lead to appropriate legal action. I further certify that in compliance with TITLE VI of the Civil Rights Act of 1964 I have not discriminated on the grounds of race, color, or national origin in the provision of service.

SIGNATURE OF PROVIDER — DATE SIGNED: 7-31-75

22. FOR SPRINGFIELD OFFICE USE ONLY – Do Not Write in This Box

Special Approval – If Required for Procedure Code(s): _____

( ) Approved ( ) Not Approved By: _____ Date: _____

DPA 315 (R-8-73)

11 Only Three Tests Requested No Blood Drawn

See Instructions On Reverse.

Illinois Department of Public Aid

STATEMENT OF SERVICES RENDERED
INDEPENDENT LABORATORY
(Type or Print all Information)

1. Services for Month of: AUGUST, 19 75

2. CASE LAST NAME	FIRST NAME
	Mamie

ADDRESS: 3007 W.

Enter Exactly as Shown on Case Identification Card

3. Patient's First Name: Herman

4. Case Identification Number: 04

5. Office Account No: 818736

6. Birthdate: 8 4 58

Leave Blank 7.

Report of Services

9. Date of Service	10. Procedure Code	11. Fully Describe Laboratory Procedures and Other Services or Supplies Furnished for Each Date Given	12. Charges
8/29/75	86360	Later-RA	$ 7.00
	85650	Sedimentation Rate	4.00
	84550	Uric acid	5.00
	86060	Aso titer	7.00
	86140	C-Reactive Protein	7.00
	87095	Throat Culture w/sensitivity	15.00

16. Name & Address of Independent Laboratory (No. & St., City, Street, Zip Code) Print, Type or Stamp

D. J. MEDICAL LABORATORY
P. O. Box 794
Skokie, Illinois 60076

17. Provider # 14-825-0 Print, Type or Stamp

18. Name & Add. of Referring Physician
R. Pascon M.D.
4809 W. Madison
Chicago, Ill

13. TOTAL CHARGE	$ 45.00
14. CREDIT	$
15. NET CHARGE	$

19. DIAGNOSIS or CONDITION: ACUTE UPPER RESPIRATORY INFECTION

20. Living Arrangement at Time of Service.
- ☐ Group Care Facility
- ☐ Hospital
- ☐ Other (Specify)

21. CERTIFICATION

This is to certify that I have rendered the services and provided the items set forth and the information above is true, accurate and complete, that payment therefor has not been received, that the charges approved by the Department of Public Aid will constitute the full and complete charge therefor, that I will not accept additional payment from any person or persons. I hereby agree to keep such records as are necessary to disclose fully the extent of services provided to individuals under TITLE XIX of the Social Security Act and to furnish information regarding any payments claimed as the State Agency may request. I understand payment is made from Federal and State funds and that any falsification or concealment of a material fact may lead to appropriate legal action. I further certify that in compliance with TITLE VI of the Civil Rights Act of 1964 I have not discriminated on the grounds of race, color, or national origin in the provision of service.

SIGNATURE OF PROVIDER — DATE SIGNED: 8/29/75

22. FOR SPRINGFIELD OFFICE USE ONLY — Do Not Write in This Box

Special Approval — If Required for Procedure Code(s): _____

( ) Approved ( ) Not Approved By: _____ Date: _____

DPA 315 (R-8-73)

12 Only Sedimentation Rate and Sickle Cell Test Requested

See Instructions On Reverse.

Illinois Department of Public Aid

STATEMENT OF SERVICES RENDERED INDEPENDENT LABORATORY

(Type or Print all Information)

1. Services for Month of Aug. 19 75

2. CASE LAST NAME	FIRST NAME
	Freda

ADDRESS:

Enter Exactly as Shown on Case Identification Card

3. Patient's First Name: Freda

5. Office Account No.: 818676

4. Case Identification Number: 04

6. Birthdate: 10 2 52

Leave Blank 7. 8.

Report of Services

9. Date of Service	10. Procedure Code	11. Fully Describe Laboratory Procedures and Other Services or Supplies Furnished for Each Date Given	12. Charges
8-22-75	84520	Blood urea nitrogen	$ 5.00
	82565	Creatinine	7.00
	87120	Urine culture with sensitivity	15.00
	81000	Urinalysis routine complete	3.00
	85010	Complete blood count withdiff.	6.00

16. Name & Address of Independent Laboratory (No. & St., City, Street, Zip Code) Print, Type or Stamp

D. J. MEDICAL LABORATORY
P. O. Box 794
Skokie, Illinois 60076

17. Provider # 14-8250 Print, Type or Stamp

18. Name & Add. of Referring Physician

R. Bescon MD.
4809 W. Madison
Chgo. Ill.

13. TOTAL CHARGE	$ 36.00
14. CREDIT	$
15. NET CHARGE	$

19. DIAGNOSIS or CONDITION:

non specific vaginitis
genitu urinary infection

20. Living Arrangement at Time of Service.
- ☐ Group Care Facility
- ☐ Hospital
- ☐ Other (Specify)

21. CERTIFICATION

This is to certify that I have rendered the services and provided the items set forth and the information above is true, accurate and complete, that payment therefor has not been received, that the charges approved by the Department of Public Aid will constitute the full and complete charge therefor, that I will not accept additional payment from any person or persons. I hereby agree to keep such records as are necessary to disclose fully the extent of service provided to individuals under TITLE XIX of the Social Security Act and to furnish information regarding any payments claimed as the State Agency may request. I understand payment is made from Federal and State funds and that any falsification or concealment of a material fact may lead to appropriate legal action. I further certify that in compliance with TITLE VI of the Civil Rights Act of 1964 I have not discriminated on the grounds of race, color, or national origin in the provision of service.

SIGNATURE OF PROVIDER — DATE SIGNED: 8-22-75

22. FOR SPRINGFIELD OFFICE USE ONLY – Do Not Write in This Box

Special Approval – If Required for Procedure Code(s): _____

( ) Approved ( ) Not Approved By: _____ Date: _____

DPA 315 (R-8-73)

13 Only Routine Urinalysis Requested No Blood Drawn

State Department of Public Aid

(Type or Print all Information)

2. LAST NAME | FIRST NAME: JOYCE

Enter Exactly as Shown on Case Identification Card

3. Patient's First Name: JOYCE

4. Case Identification Number: C4

6. Birthdate: 12 25 50

Type of Services

9. Date of Service	10. Procedure Code	11. Fully Describe Laboratory Procedures and Other Services or Supplies Furnished for Each Date Given	12. Charges
[illegible]	[illegible]	Triglycerides	$ 10.[illegible]
	83440	T-3	15.[illegible]
	83440	T-4	15.50
	[illegible]	Complete blood count w/ diff.	[illegible]
	[illegible]	Urinalysis routine complete	3.[illegible]
	[illegible]	Cholesterol	[illegible]

16. Name & Address of Independent Laboratory (No. & St., City, Street, Zip Code) Print, Type or Stamp

[illegible] Laboratory
P. O. Box 784
[illegible]

17. Provider [illegible] — Print, Type or Stamp

18. Name & Add. of Referring Physician

R. [illegible], MD.
4009 W. Madison
Chgo., Ill.

13. TOTAL CHARGE: [illegible]

14. CREDIT: $

15. NET CHARGE: $

19. DIAGNOSIS or CONDITION: [illegible] CONTROL ACUTE UPPER RESPIRATORY INFECTION

20. Living Arrangement at Time of Service. ☐ Group Care Facility ☐ Hospital ☐ Other (Specify)

21. CERTIFICATION

This is to certify that I have rendered the services and provided the items set forth and the information [illegible] true, accurate and complete, that [illegible] has not been [illegible], that the charges approved by the Department of Public Aid will [illegible] complete charge therefor, that [illegible] additional payment from any person or persons. I hereby agree to keep such records as [illegible] to disclose fully the extent of services [illegible] to individuals under TITLE XIX of the Social Security Act and to furnish information regarding any payments claimed as the State Agency may [illegible]. I understand payment is made from Federal and State funds and that any falsification or concealment of a material fact may lead to appropriate legal action. I further certify that in compliance with TITLE VI of the Civil Rights Act of 1964 I have not discriminated on the grounds of race, color, or national [illegible] provision of service.

[illegible] MAR 21 1975

SIGNATURE OF PROVIDER — DATE SIGNED

22. [illegible] OFFICE USE ONLY — Do Not Write in This Box

14 **No Such Tests Requested. Throat Culture Only Requested**

See Instructions On Reverse.

Illinois Department of Public Aid

STATEMENT OF SERVICES RENDERED INDEPENDENT LABORATORY

(Type or Print all Information)

1. Services for Month of: FEB 1975

2. CASE LAST NAME: | FIRST NAME: EUGENE

ADDRESS: 4910 W.

Enter Exactly as Shown on Case Identification Card

3. Patient's First Name: EUGENE

5. Office Account No.:

4. Case Identification Number: 06

6. Birthdate: 10 39

Leave Blank 7. / 8.

Report of Services

9. Date of Service	10. Procedure Code	11. Fully Describe Laboratory Procedures and Other Services or Supplies Furnished for Each Date Given	12. Charges
FEB 5 1975	86360	Latex RA	$ 7.00
	85650	Sedimentation Rate	4.00
	84550	UricAcid	5.00
	86060	ASO Titer	7.00
	84075	Alkaline phosphatase	7.00
	86140	C-Reactive protein	7.00

16. Name & Address of Independent Laboratory (No. & St., City, Street, Zip Code) Print, Type or Stamp.

D. J. Medical Laboratory
P. O. Box 794
Skokie, Ill. 60076

17. Provider # 14-8250 Print, Type or Stamp

18. Name & Add. of Referring Physician

R. Bascon, MD.
4809 W. Madison
Chgo., Ill.

13. TOTAL CHARGE: $ 37.00

14. CREDIT: $

15. NET CHARGE: $

19. DIAGNOSIS or CONDITION: Rheumatoid arthritis

20. Living Arrangement at Time of Service. ☐ Group Care Facility ☐ Hospital ☐ Other (Specify)

21. CERTIFICATION

This is to certify that I have rendered the services and provided the items set forth and the information above is true, accurate and complete, that payment therefor has not been received, that the charges approved by the Department of Public Aid will constitute the full and complete charge therefor, that I will not accept additional payment from any person or persons; I hereby agree to keep such records as are necessary to disclose fully the extent of services provided to individuals under TITLE XIX of the Social Security Act and to furnish information regarding any payments claimed by the State Agency may request. I understand payment is made from Federal and State funds and that any falsification or concealment of a material fact may lead to appropriate legal action. I further certify that in compliance with TITLE VI of the Civil Rights Act of 1964 I have not discriminated on the grounds of race, color, or national origin in the provision of service.

SIGNATURE OF PROVIDER — DATE SIGNED: FEB 5 1975

22. FOR SPRINGFIELD OFFICE USE ONLY -- Do Not Write in This Box

Special Approval -- If Required for Procedure Code(s): ____

( ) Approved ( ) Not Approved By: ____ Date: ____

DPA 315 (R-8-73)

15 All Tests Ordered

See Instructions On Reverse

Illinois Department of Public Aid

STATEMENT OF SERVICES RENDERED
INDEPENDENT LABORATORY
(Type or Print all Information)

1. Services for Month of JUNE

2. CASE LAST NAME	FIRST NAME
	JUANITA

ADDRESS: 166 N.

Enter Exactly as Shown on Case Identification Card

3. Patient's First Name: JUANITA

5. Office A: 807473

4. Case Identification Number: 04

6. Birthdate: 11 3 46

Leave Blank: 7. 8.

Report of Services

9. Date of Service	10. Procedure Code	11. Fully Describe Laboratory Procedures and Other Services or Supplies Furnished for Each Date Given	12. Charges
	84520	BLOOD UREA NITROGEN	$5.00
	82565	CREATININE	7.00
	87120	URINE CULTURE W/ SENSITIVITY	15.60
	81000	URINALYSIS ROUTINE COMPLETE	3.00
	85010	COMPLETE BLOOD COUNT W/ DIFF.	6.00
	87095	VAGINAL CULTURE W/ SENSITIVITY	15.00
	88150	PAP SMEAR	10.00
	88155	STAT URETHRAL SMEAR	4.50

16. Name & Address of Independent Laboratory (No. & St., City, Street, Zip Code) Print, Type or Stamp

D. J. Medical Laboratory
P. O. Box 794
Skokie, Ill. 60076

17. Provider # 14-8250
Print, Type or Stamp

18. Name & Add. of Referring Physician
R. BASCON, MD
4809 W. MADISON
CHGO ILL.

13. TOTAL CHARGE	$ 65.00
14. CREDIT	$
15. NET CHARGE	$

19. DIAGNOSIS or CONDITION:
ACUTE PELVIC INFLAMATORY DISEASE
ACUTE URINARY INFECTION

20. Living Arrangement at Time of Service.
☐ Group Care Facility
☐ Hospital
☐ Other (Specify)

21. CERTIFICATION

This is to certify that I have rendered the services and provided the items set forth and the information above is true, accurate and complete, that payment therefor has not been received, that the charges approved by the Department of Public Aid will constitute the full and complete charge therefor, that I will not accept additional payment from any person or persons. I hereby agree to keep such records as are necessary to disclose fully the extent of services provided to individuals under TITLE XIX of the Social Security Act and to furnish information regarding any payments claimed as the State Agency may request. I understand payment is made from Federal and State funds and that any falsification or concealment of a material fact may lead to appropriate legal action. I further certify that in compliance with TITLE VI of the Civil Rights Act of 1964 I have not discriminated on the grounds of race, color, or national origin in the provision of service.

SIGNATURE OF PROVIDER — DATE SIGNED: JUN 18 1975

FOR SPRINGFIELD OFFICE USE ONLY – Do Not Write in This Box

Special Approval – If Required for Procedure Code(s): _____

( ) Approved ( ) Not Approved By: _____ Date: _____

DPA 315 (R-8-73)

16 Only Three Tests Ordered No Blood Drawn

See Instructions On Reverse.

Illinois Department of Public Aid

STATEMENT OF SERVICES RENDERED INDEPENDENT LABORATORY

(Type or Print all Information)

1. Service Month: FEB 1975

2. CASE LAST NAME	FIRST NAME
	GLORIA

ADDRESS: 4840 W.

Enter Exactly as Shown on Case Identification Card

3. Patient's First Name: CYNTHIA

5. Office Account No.:

4. Case Identification Number: 04

6. Birthdate: 2 66

Leave Blank: 7. 8.

Report of Services

9. Date of Service	10. Procedure Code	11. Fully Describe Laboratory Procedures and Other Services or Supplies Furnished for Each Date Given	12. Charges
FEB 4 1975	85010	Complete blood count w/ diff.	$ 6.00
	85650	Sedimentation rate	4.00
	85640	Reticulocyte count	4.00
	83550	Total iron binding capacity	10.00
	82250	Total bilirubin	7.00
	87015	Ova & Parasite	4.00

15. Name & Address of Independent Laboratory (No. & St., City, Street, Zip Code) Print, Type or Stamp

D. J. Medical Laboratory
P. O. Box 794
Skokie, Ill. 60076

17. Provider # 14--8250 Print, Type or Stamp

18. Name & Add. of Referring Physician

R. Bascon, MD.
4809 W. Madisnn
Chgo., Ill.

13. TOTAL CHARGE: $ 35.00
14. CREDIT: $
15. NET CHARGE: $

19. DIAGNOSIS or CONDITION: Severe anemia, r/o liver disease

20. Living Arrangement at Time of Service. ☐ Group Care Facility ☐ Hospital ☐ Other (Specify)

21. CERTIFICATION

This is to certify that I have rendered the services and provided the items set forth and the information above is true, accurate and complete, that payment therefor has not been received, that the charges approved by the Department of Public Aid will constitute the full and complete charge therefor, that I will not accept additional payment from any person or persons. I hereby agree to keep such records as are necessary to disclose fully the extent of services provided to individuals under TITLE XIX of the Social Security Act and to furnish information regarding any payments claimed as the State Agency may request. I understand payment is made from Federal and State funds and that any falsification or concealment of a material fact may lead to appropriate legal action. I further certify that in compliance with TITLE VI of the Civil Rights Act of 1964 I have not discriminated on the grounds of race, color, or national origin in the provision of service.

FEB 4 1975

SIGNATURE OF PROVIDER — DATE SIGNED

22. FOR SPRINGFIELD OFFICE USE ONLY — Do Not Write in This Box

Special Approval — If Required for Procedure Code(s): _____

( ) Approved ( ) Not Approved By: _____ Date: _____

CDA-115 (R-3-73)

17 First Visit to Doctor March 6, 1975

See Instructions On Reverse.

Illinois Department of Public Aid

STATEMENT OF SERVICES RENDERED INDEPENDENT LABORATORY

(Type or Print all Information)

1. Services for Month of: FEB 1975 19

2. CASE LAST NAME: | FIRST NAME: JESSIE

ADDRESS: 4927 W.

Enter Exactly as Shown on Case Identification Card

3. Patient's First Name: JESSIE

5. Office Account No:

4. Case Identification Number: 07

6. Birthdate: 2 21

Leave Blank 7. 8.

Report of Services

9. Date of Service	10. Procedure Code	11. Fully Describe Laboratory Procedures and Other Services or Supplies Furnished for Each Date Given	12. Charges
FEB 7 1975	84330	Glucose	$ 5.00
	84520	Blood urea nitrogen	5.00
	82565	Creatinine	7.00
	87180	Urine culture w/ sensitivity	15.00
	81000	Urinalysis routine complete	3.00
	85010	Complete blood count w/ diff.	6.00

16. Name & Address of Independent Laboratory (No. & St., City, Street, Zip Code) Print, Type or Stamp

D. J. Medical Laboratory
P. O. Box 794
Skokie, Ill. 60076

17. Provider # 14-8250 Print, Type or Stamp

18. Name & Add. of Referring Physician

R. Bascon, MD.
4809 W. Madison
Chgo., Ill.

13. TOTAL CHARGE $ 41.00
14. CREDIT $
15. NET CHARGE $

19. DIAGNOSIS or CONDITION: R/o Glumerolo-nephritis

20. Living Arrangement at Time of Service. ☐ Group Care Facility ☐ Hospital ☐ Other (Specify)

21. CERTIFICATION

This is to certify that I have rendered the services and provided the items set forth and the information above is true, accurate and complete, that payment therefor has not been received, that the charges optionally by the Department of Public Aid will constitute the full and complete charge therefor, that I will not accept additional payment from any person or persons, I hereby agree to keep such records as are necessary to disclose fully the extent of services provided to individuals under TITLE XIX of the Social Security Act and to furnish information regarding any payments claimed as the State Agency may request. I understand payment is made from Federal and state funds and that any falsification or concealment of a material fact may lead to appropriate legal action. I further certify that in compliance with TITLE VI of the Civil Rights Act of 1964 I have not discriminated on the grounds of race, color, or national origin in the provision of service.

SIGNATURE OF PROVIDER — DATE SIGNED: FEB 7 1975

22. FOR SPRINGFIELD OFFICE USE ONLY — Do Not Write in This Box

Special Approval — If Required for Procedure Code(s): —

( ) Approved ( ) Not Approved By: Date:

DPA 315 (9-4-73)

18 No Such Tests Requested. Throat Culture Only Requested

See Instructions On Reverse.

Illinois Department of Public Aid

STATEMENT OF SERVICES RENDERED
INDEPENDENT LABORATORY
(Type or Print all Information)

1. Services for Month of: FEB 19 75

2. CASE LAST NAME: | FIRST NAME: QUINZOLA

ADDRESS: 49 49 W. -

Enter Exactly as Shown on Case Identification Card

3. Patient's First Name: RICHIE

5. Office Account No.:

4. Case Identification Number: 04

6. Birthdate: 2 68

Leave Blank: 7. 8.

Report of Services

9. Date of Service	10. Procedure Code	11. Fully Describe Laboratory Procedures and Other Services or Supplies Furnished for Each Date Given	12. Charges
2/6/75	85010	Complete Blood Count w/ Diff	$ 6.00
	85650	Sedimentation Rate	4.00
	85640	Reticulocyte Count	4.00
	83550	Total Iron Binding Capacity	10.00
	82250	TOTAL BILIRUBIN	7.00

16. Name & Address of Independent Laboratory (No. & St., City, Street, Zip Code) Print, Type or Stamp
D. J. Medical Laboratory
P. O. Box 794
Skokie, Ill. 60076

17. Provider # _____ Print, Type or Stamp

18. Name & Add. of Referring Physician
R. BASCON M.D.
4809 W. MADISON
CHGO. ILL.

13. TOTAL CHARGE $ 31.00
14. CREDIT $
15. NET CHARGE $

19. DIAGNOSIS or CONDITION:
SICKLE ANEMIA
Rh LIVER DISEASE

20. Living Arrangement at Time of Service.
☐ Group Care Facility
☐ Hospital
☐ Other (Specify)

21. CERTIFICATION

This is to certify that I have rendered the services and provided the items set forth and the information above is true, accurate and complete, that payment therefor has not been received, that the charges approved by the Department of Public Aid will constitute the full and complete charge therefor, that I will not accept additional payment from any person or persons, I hereby agree to keep such records as are necessary to disclose fully the extent of services provided to individuals under TITLE XIX of the Social Security Act and to furnish information regarding any payments claimed as the State Agency may request. I understand payment is made from Federal and State funds and that any falsification or concealment of a material fact may lead to appropriate legal action. I further certify that in compliance with TITLE VI of the Civil Rights Act of 1964 I have not discriminated on the grounds of race, color, or national origin in the provision of service.

SIGNATURE OF PROVIDER — DATE SIGNED: 3/6/75

22. FOR SPRINGFIELD OFFICE USE ONLY — Do Not Write in This Box

Special Approval — If Required for Procedure Code(s):

( ) Approved ( ) Not Approved By: _____ Date: _____

DPA 315 (R-4-73)

19 Test Not Requested
No Visit to Doctor
in March 1975

See Instructions On Reverse.

Illinois Department of Public Aid

STATEMENT OF SERVICES RENDERED INDEPENDENT LABORATORY

(Type or Print all Information)

1. Services for Month of JULY 19 75

2. CASE LAST NAME	FIRST NAME
	NANCY

ADDRESS: 718 S. CHICAGO, ILLINOIS 606

Enter Exactly as Shown on Case Identification Card

3. Patient's First Name: NANCY

4. Case Identification Number: CV

5. Office Account No: 806579

6. Birthdate: 12 28 58

Leave Blank 7. / 8.

Report of Services

9. Date of Service	10. Procedure Code	11. Fully Describe Laboratory Procedures and Other Services or Supplies Furnished for Each Date Given	12. Charges
7/25/75	89370	SMA-12	$ 18.00
	84475	TRIGLYCERIDES	10.00
	87120	URINE CULTURE WITH SENSITIVITY	15.00
	81000	URINALYSIS ROUTINE COMPLETE	3.00
	85010	COMPLETE BLOOD COUNT WITH DIFF.	6.00
	87075	BACTERIAL CULTURE WITH SENSITIVITY	15.00
	88100	PAP SMEAR	10.00
"	~~87075~~ 87077	STAT URETHRAL SMEAR	~~7.00~~ 9.00

16. Name & Address of Independent Laboratory (No. & St., City, Street, Zip Code) Print, Type or Stamp

D. J. MEDICAL LABORATORY
P. O. Box 794
Skokie, Illinois 60076

17. Provider # 14-525 Print, Type or Stamp

18. Name & Add. of Referring Physician
R. BASCOM M.D.
4809 W. MADISON
CHICAGO, ILLINOIS

13. TOTAL CHARGE	$ 81.00
14. CREDIT	$
15. NET CHARGE	$

19. DIAGNOSIS or CONDITION:
PELVIC INFLAMATORY DISEASE
RL HYPERTENSION

20. Living Arrangement at Time of Service.
☐ Group Care Facility
☐ Hospital
☐ Other (Specify)

21. CERTIFICATION

This is to certify that I have rendered the services and provided the items set forth and the information above is true, accurate and complete, that payment therefor has not been received, that the charges approved by the Department of Public Aid will constitute the full and complete charge therefor, that I will not accept additional payment from any person or persons. I hereby agree to keep such records as are necessary to disclose fully the extent of services provided to individuals under TITLE XIX of the Social Security Act and to furnish information regarding any payments claimed as the State Agency may request. I understand payment is made from Federal and State funds and that any falsification or concealment of a material fact may lead to appropriate legal action. I further certify that in compliance with TITLE VI of the Civil Rights Act of 1964 I have not discriminated on the grounds of race, color, or national origin in the provision of service.

SIGNATURE OF PROVIDER — DATE SIGNED: 7/25/75

22. FOR SPRINGFIELD OFFICE USE ONLY — Do Not Write in This Box

Special Approval — If Required for Procedure Code(s): _____

( ) Approved ( ) Not Approved By: _____ Date: _____

DPA 315 (R-8-73)

20 Only Three Tests Ordered No Blood Drawn

TOTAL Billed to Medicaid: $885.00

TOTAL Referred by Physician: $119.00

DIFFERENCE: $766.00

70-482 O - 76 - 7

Appendix 2

AFFIDAVITS SUBMITTED FOR THE RECORD BY DOUGLAS A. LONGHINI,* GERALYN DELANEY, AND WILLIAM R. HOOD, BETTER GOVERNMENT ASSOCIATION, CHICAGO, ILL.

STATE OF ILLINOIS,
County of Cook, ss:

AFFIDAVIT

I, Douglas A. Longhini, being first duly sworn, do state under oath that the following is true to the best of my knowledge:

1. That I am an employee of the Better Government Association located at 360 North Michigan Avenue, Suite 1118, Chicago, Ill. I am employed presently as an investigator by the Better Government Association and was so employed throughout the month of December 1975.

2. That on December 12, 1975, I telephoned West Lawn Medical Laboratory located at 4255 West 63d Street, Chicago, Ill. I spoke to a man who identified himself as Riaz Khan.

3. That on December 12, 1975, while speaking to Riaz Khan on the telephone, I told Riaz Khan that my name was Luke Kolman and that I represented two (2) licensed Illinois physicians who were going to open a medical clinic at 1520 West Morse, Chicago, Ill., I told Riaz Khan I was going to be purchasing medical laboratory testing services for the proposed medical clinic located at 1520 West Morse, Chicago, Ill., I made an appointment for 9 a.m., December 16, 1975, to personally meet Riaz Khan at 1520 West Morse, Chicago, Ill.

4. That on December 16, 1975, between the hours of 8:30 a.m. and 12 p.m. and 12:45 p.m. and 6 p.m., I was at 1520 West Morse, Chicago, Ill.

5. That at approximately 9 a.m. on December 16, 1975, a man entered the building at 1520 West Morse and identified himself as Riaz Khan. Riaz Khan gave me a business card identifying Riaz Khan as a technical representative of West Lawn Medical Laboratory located at 4255 West 63d Street, Chicago, Ill.

6. That on December 16, 1975, Riaz Khan stated that West Lawn Medical Laboratory would provide the medical clinic at 1520 West Morse with a laboratory technician to draw blood at the clinic. Riaz Khan stated that West Lawn would pay the laboratory's wages for drawing blood. These statements were made in the presence of Geralyn Delaney and myself.

7. That on December 16, 1975, Riaz Khan stated that if the volume of medical tests ordered from the proposed medical clinic reached between five (5) and ten (10) public aid patients a day then West Lawn Medical Laboratory would sublease space at the proposed medical clinic. Riaz Khan stated that the rent for this subleased space would be paid for by West Lawn Medical Laboratory. The amount of rent to be paid in U.S. currency would be based upon a percent of the volume of medical tests ordered from the proposed clinic and done by West Lawn Medical Laboratory. These statements were made by Riaz Khan in the presence of Geralyn Delaney and myself.

8. That on December 16, 1975, Riaz Khan stated that if the medical clinic would be ordering medical tests on between 15 and 20 public aid patients a day, then West Lawn would not take any profit on medical tests ordered by the medical clinic for private, nonmedicare, nonmedicaid patients. Khan stated: "If you draw blood from a public aid patient and blood from a private patient, we can forget the profit on the private patient; that profit is yours." These statements were made in the presence of Geralyn Delaney and myself.

*See statement, p. 425.

9. That on December 16, 1975, Riaz Khan stated that there would be no written agreement and/or contract between West Lawn and the medical clinic. Khan said there would be nothing written between the laboratory and the clinic formally arranging for medical testing services. Khan said there would be no formal, written sublease of space within the clinic for the use of West Lawn. These statements were made in the presence of Geralyn Delaney and myself.

DOUGLAS A. LONGHINI.

Subscribed and sworn to before me this 13th day of January, 1976. Geralyn L. Delaney, notary public.

STATE OF ILLINOIS,
County of Cook, ss:

AFFIDAVIT

I, Douglas A. Longhini, being first duly sworn, do state under oath that the following is true to the best of my knowledge:

1. That I am an employee of the Better Government Association located at 360 North Michigan Avenue, Suite 1118, Chicago, Ill. I am employed presently as an investigator by the Better Government Association and was so employed throughout the month of December 1975.

2. That on December 12, 1975, I telephoned Azteca Laboratory. I spoke to a man who identified himself as Dr. Velez. I told Dr. Velez that my name was Luke Kolman and that I represented two (2) licensed Illinois physicians who were going to open a medical clinic at 1520 West Morse, Chicago, Ill. I told Dr. Velez that I was going to be purchasing medical laboratory testing services for the proposed medical clinic. I made an appointment for 11 a.m., December 16, 1975, to personally meet with Dr. Velez to discuss the possibility of purchasing medical testing services from Azteca Labs.

3. That on December 16, 1975, between the hours of 8:30 a.m. and 12 p.m. and 12:45 p.m. and 6 p.m., I was at 1520 West Morse, Chicago, Ill.

4. That on December 16, 1975, at approximately 11 a.m., a man entered the medical clinic offices at 1520 West Morse, Chicago, Ill., and identified himself as Dr. Velez.

5. That on December 16, 1975, Dr. Velez stated what he called a "professional service discount" on all public aid billings for medical tests on public aid patients. Dr. Velez said the discount on the medical tests would be a percentage of the price and/or cost of a total month's billing for medical tests for public aid patients. This statement was made in the presence of Geralyn Delaney and myself.

6. That on December 16, 1975, Dr. Velez presented me with a copy of a billing statement of medical tests done for public aid patients by Azteca Labs for an unnamed medical clinic. Dr. Velez stated that that month's bill to the State was $3,853 for this same unnamed clinic and that by applying what Dr. Velez again referred to as the professional services discount Dr. Velez was able to give the unnamed clinic back $1,000 of the total $3,853 in medical test billings. Dr. Velez said such a discount was paid by sending the clinic a check for $1,000. These statements were made in the presence of Geralyn Delaney and myself.

7. That on December 16, 1975, Dr. Velez stated that Azteca Labs would apply a percentage of the clinic's total medical testing bills back to the clinic in the form of rent. Dr. Velez stated that there would be no written contract for medical testing services between Azteca Labs or himself and the medical clinic or its representatives. Dr. Velez said that if the medical clinic had between 10 and 15 patients a day and a corresponding number of medical tests ordered, Azteca would lease a certain amount of space in the clinic. Dr. Velez stated that the amount discounted by Azteca from the monthly billing statement would be applied to the rest of the medical clinic. Dr. Velez said, "Five hundred, a thousand, two thousand dollars, whatever, will be applied to the rent, according to the volume of business in the clinic." These statements were made in the presence of Geralyn Delaney and myself.

DOUGLAS A. LONGHINI.

Subscribed and sworn to before me this 13th day of January, 1976. Geralyn L. Delaney, notary public.

STATE OF ILLINOIS,
County of Cook, ss:

AFFIDAVIT

I, Douglas A. Longhini, being first duly sworn, do state under oath that the following is true to the best of my knowledge:

1. That I am an employee of the Better Government Association located at 360 North Michigan Avenue, Suite 1118, Chicago, Ill. I am employed presently as an investigator by the Better Government Association and was so employed throughout the month of December 1975.

2. That on December 12, 1975, I telephoned Chicago Medical Laboratory located at 1518 North Ashland, Chicago, Ill. I spoke to a man who did not identify himself. I told this man that my name was Luke Kolman and that I represented two (2) licensed Illinois physicians who were going to open a medical clinic at 1520 West Morse, Chicago, Ill. I said I was going to be purchasing medical laboratory testing services for the proposed medical clinic. I made an appointment for 1 p.m. on December 16, 1975, to personally meet with Mr. Robinson of Chicago Medical Laboratory.

3. That on December 16, 1975, between the hours of 8:30 a.m. and 12 p.m. and 12:45 p.m. and 6 p.m., I was at 1520 West Morse, Chicago, Ill.

4. That on December 16, 1975, at approximately 2 p.m., a man entered the building at 1520 West Morse, Chicago, Ill., and identified himself as Mr. Robinson. Mr. Robinson stated that he had believed that our appointment was for 2 p.m.

5. That on December 16, 1975, Robinson stated that Chicago Medical Laboratory would rent a certain amount of square feet in the medical clinic. Robinson stated that if the clinic had a monthly rent of $1,000, Chicago Laboratory would sublease between 10 and 20 percent of the $1,000 monthly rent for the medical clinic. Robinson stated that Chicago Medical Laboratory would set a fixed percentage on a fixed figure, Robinson here stated the rent, if the volume of medical testing business ordered by the clinic increased Chicago Medical Laboratory would raise the fixed percentage. Robinson stated that the rent was to be adjusted to whatever the volume of medical testing business was. Robinson stated that he would not be able to provide us with medical testing services without establishing a fixed percentage of the rent to be paid by Chicago Medical Laboratory. These statements were made in the presence of Geralyn Delaney and myself.

6. That on December 16, 1975, Robinson stated that Chicago Medical Laboratory would apply forty (40) percent of all the costs for medical tests done for private, non-medicare, nonmedicaid, patients to the Chicago Medical Lab's rented space in the medical clinic. Robinson stated an example of a private patient getting a series of tests for SMA–12 and urinalysis, Robinson said the cost would be $20, but the medical clinic would get forty (40) percent of that $20. These statements were made in the presence of Geralyn Delaney and myself.

7. That on December 12, 1975, Robinson stated that Chicago Medical Laboratory would send the clinic a check through the U.S. mail system each month for the rented space. This statement was made in the presence of Geralyn Delaney and myself.

8. That on December 16, 1975, Robinson stated that initially there would be no written lease, sublease, or contract between Chicago Medical Laboratory and the medical clinic. Robinson stated that "I wouldn't worry much about leases until we get started. Leases are only if you have a good thing going." These statements were made in the presence of Geralyn Delaney and myself.

DOUGLAS A. LONGHINI.

Subscribed and sworn to before me this 13th day of January, 1976. Geralyn L. Delaney, notary public.

STATE OF ILLINOIS,
County of Cook, ss:

AFFIDAVIT

I, Douglas A. Longhini, being first duly sworn, do state under oath that the following is true to the best of my knowledge:

1. That I am an employee of the Better Government Association located at 360 North Michigan Avenue, Suite 1118, Chicago, Ill. I am employed presently as an investigator by the Better Government Association and was so employed throughout the month of December 1975.

2. That on December 12, 1975, I telephoned General Medical Laboratories located at 914 West Diversey, Chicago, Ill. I spoke to a man who identified himself as Dr. Charlip. I stated that my name was Luke Kolman and that I represented two (2) licensed Illinois physicians who were going to open a medical clinic at 1520 West Morse, Chicago, Ill. I said I was going to be purchasing medical laboratory testing services for the proposed medical clinic. I made an appointment to meet with Dr. Charlip at 3 p.m. on December 16, 1975.

3. That on December 16, 1975, I was physically within the building located at 1520 West Morse, Chicago, Ill., between the hours of 8:30 a.m. and 12 p.m. and 12:45 p.m. and 6 p.m.

4. That on December 16, 1975, at approximately 3 p.m., a man entered the building at 1520 West Morse and identified himself as Dr. Charlip.

5. That on December 16, 1975, Dr. Charlip stated that General Medical Laboratories had two different price lists for medical tests performed by the laboratories. One price list described the prices that General Medical charged private, non-public-aid patients and the other price list described the prices which General Medical charged the State of Illinois, Department of Public Aid for the same tests. Dr. Charlip stated that the prices that General Medical charged for private patients were about three times lower than the prices for medical tests that General Medical charged the State of Illinois Department of Public Aid for patients on medicaid. These statements were made in the presence of Geralyn Delany and myself.

6. That on December 16, 1975, Dr. Charlip stated that he would speak to the two physicians that were opening the clinic at 1520 West Morse and explain to these physicians how to use the Illinois Department of Public Aid's codes for billing the department for medical tests. Dr. Charlip stated that there were a lot of tricks to a physician billing the Illinois Department of Public Aid, and that by using different codes a physician could get between $8 and $24 from the Department of Public Aid for the exact same medical test. These statements were made in the presence of Geralyn Delaney and myself.

DOUGLAS A. LONGHINI.

Subscribed and sworn to before me this 13th day of January, 1976, Geralyn L. Delaney, notary public.

STATE OF ILLINOIS,
County of Cook, ss:

AFFIDAVIT

1. Douglas A. Longhini, being first duly sworn, do state under oath that the following is true to the best of my knowledge:

1. That I am an employee of the Better Government Association located at 360 North Michigan Avenue, Suite 1118, Chicago, Ill. I am employed presently as an investigator by the Better Government Association and was so employed throughout the month of December 1975.

2. That on December 12, 1975, I telephoned Division Medical Laboratory located at 2625 West Division, Chicago, Ill. I spoke to a man who identified himself as a Mr. Celso (may be incorrect spelling). I told Mr. Celso that my name was Luke Kolman and that I represented two (2) licensed Illinois physicians who were going to open a medical clinic at 1520 West Morse, Chicago, Ill. I told Mr. Celso that I was going to be purchasing medical laboratory testing services for the proposed medical clinic. I made an appointment for 10 a.m., December 16, 1975, to personally meet a representative of Division Laboratory whom Mr. Celso said was named Felix.

3. That on December 16, 1975, between the hours of 8:30 a.m. and 12 p.m. and between 12:45 p.m. and 6 p.m., I was at 1520 West Morse, Chicago, Ill.

4. That at approximately 10 a.m. on December 16, 1975, two (2) men entered the building at 1520 West Morse and identified themselves as John Todd and Felix Salamanca. Todd gave me a business card identifying John B. Todd as director of nursing home division for Division Medical Laboratory. No title was given to Salamanca.

5. That on December 16, 1975, Todd offered to provide the medical clinic with a laboratory technician, a portable X-ray machine and, if required, an EKG machine. Todd said all of these would be provided without any charge to the medical clinic, that all costs involved with these services and/or machines would be borne by Division Laboratory. This offer was made in the presence of Geralyn Delaney and myself.

6. That on December 16, 1975, Todd offered to sublease space in the medical clinic to be used by the technician and to house the X-ray machine and EKG machine. Todd suggested that I tell him what rent the clinic would want for the subleased space and that Division Laboratory would pay something although not necessarily what I had been asked to suggest. This offer was made in the presence of Geralyn Delaney and myself.

7. That on December 16, 1975, Todd stated that the rent for the subleased space would be reviewed by Division Laboratory every 3 months. Todd said the rent would be reevaluated based upon the volume of the medical tests ordered by the medical clinic and going to Division.

8. That on December 16, 1975, Todd agreed with a statement I made that the rent collected by the clinic and paid for Division for the small subleased space could be two (2) or three (3) times greater than the rent the clinic paid for the use of the whole space at 1520 West Morse. Todd said that the rent the clinic paid for the use of the whole space would not be a ceiling on the rent collected from Division for the subleased space. This offer was made in the presence of Geralyn Delaney and myself.

9. That on December 16, 1975, Todd stated that if the medical clinic was seeing 20 to 30 patients per day, Division Laboratory would pay the full salary of the clinic's secretary and/or nurse in addition to the full salary of the laboratory technician. This offer was made in the presence of Geralyn Delaney and myself.

DOUGLAS A. LONGHINI.

Subscribed and sworn to before me this 13th day of January, 1976. Geralyn L. Delaney, notary public.

STATE OF ILLINOIS,
County of Cook, ss:

AFFIDAVIT

I, Douglas A. Longhini, being first duly sworn, do state under oath that the following is true to the best of my knowledge:

1. That I am an employee of the Better Government Association located at 360 North Michigan Avenue, Suite 1118, Chicago, Ill. I am employed presently as an investigator by the Better Government Association and was so employed throughout the month of December 1975.

2. That on December 12, 1975, I telephoned D. J. Medical Laboratory located at 1708 West Chicago Avenue, Chicago, Ill. I spoke to a man who identified himself as Joe Espino. I stated that my name was Luke Kolman and that I represented two (2) licensed Illinois physicians who were going to open a medical clinic at 1520 West Morse, Chicago, Ill. I said I was going to be purchasing medical laboratory testing services for the proposed medical clinic. I made an appointment to meet with Mr. Espino at 10 a.m. on December 17, 1975.

3. That on December 17, 1975, I was physically within the building located at 1520 West Morse, Chicago, Ill., between the hours of 8:45 a.m. to 12 p.m. and 1 p.m. to 4 p.m.

4. That on December 17, 1975, at approximately 10 a.m., a man entered the building at 1520 West Morse and identified himself as Joselito Espino. Espino gave me a business card that identified Joselito C. Espino as president of D. J. Medical Laboratory, Inc.

5. That on December 17, 1975, Espino stated that D. J. Medical Laboratory maintained two separate price lists for medical tests. Espino stated that there was one price list for medical tests done on public aid patients and another price list for private non-public aid, non-medicare patients. Espino said that he thought that the maintenance and application of these two lists was illegal, but that as long as he did not have the two separate lists written down there would be nothing wrong with the two separate lists. These statements were made in the presence of Geralyn Delaney and myself.

6. That on December 17, 1975 Espino gave me a small green sheet of paper with the words "Laboratory Tests" in large letters on the paper. The paper listed the medical tests performed by D. J. Medical Laboratory. Espino stated that D. J. Medical Laboratory charged $3.50 for an SMA–12 test for a private, non-public-aid patient and that D. J. Medical Laboratory collected $15 from the State of Illinois, Department of Public Aid, for the same exact test for a public aid patient. Espino stated the medical testing costs for private and public aid patients for a number of other tests. Espino stated the following:

Tests	Charge to private patient	Charge to State of Illinois for public aid patient
SMA-12	$3.50	$15.00
CBC	2.50	6.00
Urinalysis	1.50	3.00
VDRL	3.00	(1)
ABO	1.50	3.50
Rh	1.50	3.50
Glucose	2.50	5.00
Pap smear	4.00	10.00
All culture tests	5.00	10.00
GC smear	1.50	3.00
TEC	1.50	3.00
Stool O/P	1.50	3.00
TIBC	3.00	7.00
EKG	6.00	12.00
T-3	6.00	12.00
T-4	6.00	12.00
PBI [2]		
Sed rate	1.50	4.00
Pro elec	6.00	12.00
BUN	2.50	5.00
Uric acid	2.50	5.00
Cholesteral	2.50	5.00
Na. (sodium)	2.00	3.00
K. (potassium)	2.00	3.00
Creat	3.00	7.00
ASO	2.00	5.00
Pregnancy test	3.00	8.00
ANA	6.00	12.00
SGPT	2.50	5.00
Ceph. flocculation	2.50	5.00
Thymol	2.50	5.00
Latex RA	2.00	5.00
CRP	2.00	5.00
Alkali phosphate	2.00	5.00

[1] No payment.
[2] D. J. send these tests to Mason and Baron Laboratories.

DOUGLAS A. LONGHINI.

Subscribed and sworn to before me this 13th day of January, 1976, Geralyn L. Delaney, notary public.

STATE OF ILLINOIS,
County of Cook, ss:

AFFIDAVIT

I, Douglas A. Longhini, being first duly sworn, do state under oath that the following is true to the best of my knowledge:

1. That I am an employee of the Better Government Association located at 360 North Michigan Avenue, Suite 1118, Chicago, Ill. I am employed presently as an investigator by the Better Government Association and was so employed throughout the month of December 1975.

2. That on December 15, 1975, I was told by the answering service for telephone number 372–7100 that a man identifying himself as Mr. Simos of Hilltop Medical Laboratory had telephoned the answering service. On December 16, 1975, I telephoned Mr. Simos at Hilltop Medical Laboratory located at 1325 West 87th Street, Chicago, Ill. I stated that my name was Luke Kolman and that I represented two (2) licensed Illinois physicians who were going to open

a medical clinic at 1520 West Morse, Chicago, Ill. I said I was going to be purchasing medical laboratory testing services for the proposed medical clinic. I made an appointment to meet with Mr. Simos at 11 a.m. on December 17, 1975.

3. That on December 17, 1975, I was physically within the building located at 1520 West Morse, Chicago, Ill., between the hours of 8:45 a.m. and 12 p.m. and between 1 p.m. to 4 p.m.

4. That on December 17, 1975, at approximately 11 a.m., a man entered the building at 1520 West Morse and identified himself as Mr. Simos. Mr. Simos stated that he was manager of Hilltop Laboratory but that he was about to start his own laboratory, Claremont Medical Laboratory, and that he was representing Claremont and not Hilltop Laboratory.

5. That on December 17, 1975, Simos stated that Claremont Medical Laboratory would provide the medical clinic with a laboratory technician and that Claremont would pay that technician's salary. Simos stated that Claremont would pay that technician's salary. Simos stated that Claremont would rent a certain amount of square feet at the medical clinic for the use of the laboratory technician. Simos stated that the dollar amount of rent for this space would be based on the volume of medical tests ordered by the medical cilnic. Simos stated that the dollar amount of rent was not to be based on the actual number of square feet utilized by the laboratory technician. Simos stated that the number of square feet used by the laboratory technician would have nothing to do with the actual dollar amount of rent paid by Claremont to the medical clinic. Simos stated that the arrangement of renting a certain number of square feet in the medical clinic for the use of a laboratory technician and Claremont paying a percentage of the gross medical testing billings back to the medical clinic was to make it look like Claremont was renting space in the medical clinic. Simos stated that auditors from the State of Illinois and unspecified individuals from the Federal Bureau of Investigation will not investigate a medical laboratory's rental payments to a medical clinic if these agencies and/or individuals see that there is a written lease or sublease between the medical clinic and the medical laboratory. These statements were made in the presence of Geralyn Delaney and myself.

6. That on December 17, 1975, Simos stated that there could be an open lease for a specific price signed between Claremont Medical Laboratory and the medical clinic. Simos stated that the lease could be renewed tomorrow at a different price. Simos stated that with this arrangement "the FBI cannot catch us this way. This protects the doctors. Once FBI sees sublease, they stop investigation." Simos stated that Claremont would not actually use the rented, subleased space. Simos stated that Claremont would evaluate the rent every three (3) months always with respect to the volume of medical tests ordered by the clinic. Simos stated that if the medical clinic were seeing thirty (30) patients a day, between $500 and $700 would be applied by Claremont to the rent in the medical clinic. Simos stated that Claremont would not give back more than thirty (30) percent of gross volume in medical tests in the form of rent. Simos stated that thirty (30) percent is very hard to explain to a State auditor already, and that any percent more than thirty (30) percent was much too difficult. Simos stated that a medical laboratory giving back a percentage of gross billing for medical tests to a medical clinic was dirty business. Simos stated that "the doctors would get clobbered, so we rent space." These statements were made in the presence of Geralyn Delaney and myself.

7. That on December 17, 1975, Mr. Simos stated that Claremont would give the medical clinic a forty (40) percent discount on all medical tests ordered for private, non-public-aid patients. These statements were made in the presence of Geralyn Delaney and myself.

8. That on December 17, 1975 Simos stated that he would consult with the two physicians at the medical clinic to show them how to order medical tests for public aid. Simos stated that Claremont would like the doctors to see a minimum of 15 patients a day and order two (2) or three (3) medical tests for each patient. Simos stated that a doctor does not have to worry about the expense of ordering tests for public aid patients like he does with private patients. Simos stated that because the State of Illinois is paying for the medical tests and not the public aid patient that "what the hell, go ahead and order

ten (10) tests—just go ahead." These statements were made in the presence of Geralyn Delaney and myself.

9. That on December 17, 1975, Simos stated that he would consult with the two (2) physicians at the medical clinic to show them how to diagnose cases for public aid. Simos stated that an example of a public aid diagnosis was the instance of submitting to the State tests for anemia and hypertension at the same time. Simos stated that the State of Illinois Department of Public Aid will not pay for both tests at the same time because the tests are not related to one another. Simos stated that a laboratory can bill the State for both tests at the same time if the public aid patients' physician writes "rule out" before the word hypertension. Simos stated that writing the words "rule out" before the name of a medical test will result in the State paying the medical laboratory for performing the tests. These statements were made in the presence of Geralyn Delaney and myself.

DOUGLAS A. LONGHINI.

Subscribed and sworn to before me this 20th day of January, 1976. Geralyn L. Delaney, notary public.

STATE OF ILLINOIS,
County of Cook, ss:

AFFIDAVIT

I, Douglas A. Longhini, being first duly sworn, do state under oath that the following is true to the best of my knowledge:

1. That I am an employee of the Better Government Association located at 360 North Michigan Avenue, Suite 1118, Chicago, Ill. I am employed presently as an investigator by the Better Government Association and was so employed throughout the month of December 1975.

2. That on December 15, 1975, I telephoned Ridgeland Medical Laboratory located at 101 Madison Street, Oak Park, Ill. I spoke to a woman who identified herself as Mrs. Villanueva. I stated that my name was Luke Kolman and that I represented two (2) licensed Illinois physicians who were going to open a medical clinic at 1520 West Morse, Chicago, Ill. I said I was going to be purchasing medical laboratory testing services for the proposed medical clinic. I made an appointment to meet with Ernesto Villanueva at 11 a.m. on December 18, 1975, at Ridgeland Medical Laboratory.

3. That on December 18, 1975, at approximately 11:15 a.m., Geralyn Delaney and myself entered the 2d floor offices of Ridgeland Medical Laboratory in Oak Park. We met a man who identified himself as Ernesto Villanueva. Mr. Villaneuva stated that the was the owner of Ridgeland Medical Laboratory and also had another laboratory named Clinical Lab Service located at 3940 West Division, Chicago, Ill.

4. That on December 18, 1975, Villanueva stated that if the volume of medical tests ordered by the medical clinic warranted it, Ridgeland Medical Laboratory would rent a room at the clinic and place a laboratory technician there to draw blood. Villanueva stated that Ridgeland would pay 50 percent of the technician's salary and that the medical clinic would pay the other 50 percent. Villanueva stated that the technician would not be drawing blood the whole 8 hours each day she is at the medical clinic. Villanueva stated that the technician may spend 30 percent of her time drawing blood and the other 70 percent of the time the technician could spend helping out the medical clinic's secretary with filing, etc.

5. That on December 18, 1975, Villanueva stated that the medical clinic would charge the lab a base rent for a certain amount of space at the medical clinic. Villanueva stated that if the volume of medical testing business referred to Ridgeland goes up then the rent can also be increased, but that the amount of square feet used by the lab at the medical clinic would not increase.

6. That on December 18, 1975, Villanueva stated that the rent Ridgeland would pay the medical clinic would be based on the volume of medical testing business, referred to the lab. Villanueva stated that there would be no ceiling on the amount of rent the medical clinic could charge the laboratory. Villanueva stated, "I don't have to know how much rent you are paying for the medical clinic." Villanueva stated that if the volume of medical testing business warranted it, the medical clinic could receive more money in the form of rent

from the few square feet rented by the lab, than the entire amount of money that the clinic paid each month for rental of the whole medical clinic.

7. That on December 18, 1975, Villanueva stated that Ridgeland would sign a legal sublease of space at the medical clinic. Villanueva stated that Ridgeland would evaluate the lease every 6 months, or 1 year, to see what the volume of medical testing business was. Villanueva stated that the lease can be negotiated every 6 months or so, if the volume of medical testing business increases, then a new lease is drawn up and the amount of rent paid by the laboratory to the medical testing business was. Villanueva stated that the lease can be negotiated (10) times, rent could go up ten (10) times."

8. That the above statements were made in the presence of Geralyn Delaney and myself on December 18, 1975.

DOUGLAS A. LONGHINI.

Subscribed and sworn to before me this 20th day of January, 1976. Geralyn L. Delaney, notary public.

STATE OF ILLINOIS,
County of Cook, ss:

AFFIDAVIT

I, Douglas A. Longhini, being first duly sworn, do state under oath that the following is true to the best of my knowledge:

1. That I am an employee of the Better Government Association located at 360 North Michigan Avenue, Suite 1118, Chicago, Ill. I am employed presently as an investigator by the Better Government Association and was so employed throughout the month of December 1975.

2. That on December 22, 1975, I telephoned North Side Clinical Laboratory at 185 North Wabash, Chicago, Ill. I spoke to a man who identified himself as Mr. LaPena. I told Mr. LaPena that my name was Luke Kolman and that I represented two (2) licensed Illinois physicians who were going to open a medical clinic at 1520 West Morse, Chicago, Ill. I told Mr. LaPena that I was going to be purchasing medical laboratory testing services for the proposed medical clinic. I made an appointment for 12 p.m., December 23, 1975, to personally meet Mr. LaPena at the medical clinic.

3. That on December 23, 1975, Geralyn Delaney and myself were physically present at the medical clinic located a 1520 West Morse, Chicago, Ill., between 8:40 a.m. and 1:30 p.m.

4. That at approximately 12 p.m., on December 23, 1975, a man entered the medical clinic located at 1520 West Morse, Chicago, Ill., and identified himself as Mr. Nemie LaPena.

5. That on December 23, 1975, LaPena stated that North Side Clinical Laboratory would charge the medical clinic fifty (50) percent less for medical tests on private patients seen by the medical clinic than the laboratory would charge for public aid patients.

6. That on December 23, 1975 LaPena stated that the medical clinic could keep all of the billings for private patients if the medical clinic was seeing between 80–90 percent public aid patients a day. The laboratory would then charge nothing for doing medical tests for private patients.

7. That on December 23, 1975, LaPena showed Geralyn Delaney and myself a laboratory testing tally sheet. LaPena stated that he would have a copy of this sheet and that the medical clinic would have a copy of an identical sheet. LaPena stated that he would maintain a list of the tests ordered by the medical clinic each week and that the medical clinic should also keep a record of the medical tests ordered each week. LaPena stated that at the end of each week he would total the dollar amount of tests ordered by the medical clinic and then each Tuesday of the week the clinic would receive a check from North Side Clinical Laboratory equal to 45 percent of the previous week's billings for medical tests. LaPena stated that if the medical clinic were to send more than $1,000 in medical tests to North Side, then North Side would send the medical clinic a check for 50 percent of the previous week's billing, again so long as that billing exceeded $1,000. LaPena stated that the weekly checks would be for payment of rental of space at the medical clinic. LaPena stated that North Side would not actually use the space North Side would rent at the medical clinic.

8. That on December 23, 1975, LaPena stated that North Side would sign a written sublease for space at the medical clinic. LaPena stated, "I don't know how legal, but rental agreement could say that we are giving you back 45 percent of the volume of medical tests ordered." LaPena stated that he presently maintained this type of sublease with a number of medical clinics.

9. That on December 23, 1975, LaPena stated that if the volume of medical testing business referred to North Side was high enough that North Side would pay the medical clinic a flat fee of $600 a week for rental of space at the clinic. LaPena stated that the medical clinic would have to order tests on at least eight (8) patients a day if North Side was to collect $1,200 in lab fees a week.

10. That on December 23, 1975, LaPena stated that if the volume of medical tests ordered by the medical clinic exceeded $1,200 per week that North Side would then pay part of the salary of the clinic's secretary and/or nurse. La Pena stated that North Side could pay some of the clinic's utility bills.

11. That the above statements were made in the presence of Geralyn Delaney and myself on December 23, 1975.

DOUGLAS A. LONGHINI.

Subscribed and sworn to before me this 20th day of January, 1976. Geralyn L. Delaney, notary public.

STATE OF ILLINOIS,
County of Cook, ss:

AFFIDAVIT

I, Douglas A. Longhini, being first duly sworn, do state under oath that the following is true to the best of my knowledge:

1. That I am an employee of the Better Government Association located at 360 North Michigan Avenue, Suite 1118, Chicago, Ill. I am employed presently as an investigator by the Better Government Association and was so employed throughout the month of December 1975.

2. That on December 22, 1975, I telephoned United Medical Laboratories located at 8 South Michigan, Chicago, Ill. I spoke to someone who did not identify themselves. I stated that my name was Luke Kolman and that I represented two (2) licensed Illinois physicians who were going to open a medical clinic at 1520 West Morse, Chicago, Ill. I said I was going to be purchasing medical laboratory testing services for the proposed medical clinic. I made an appointment to meet with Ms. Judy Pedgrift, a representative of United Medical Laboratories, at the medical clinic at 1520 West Morse, Chicago, Ill., for 9 a.m. on December 23, 1975.

3. That on December 23, 1975, Geralyn Delaney and myself were physically present at the medical clinic located at 1520 West Morse, Chicago, Ill., between 8:40 a.m. and 1:30 p.m.

4. That at approximately 9:40 a.m. on December 23, 1975, a woman entered the medical clinic located at 1520 West Morse, Chicago, Ill., and identified herself as Judy Pedgrift of United Medical Laboratories.

5. That on December 23, 1975, Pedgrift stated that United Medical Laboratories would make available to the medical clinic two separate price lists for medical tests. Pedgrift stated that one price list would be for private patients, and the second, and higher price list, would be for public aid patients. Pedgrift stated that in order to use the lower private patient prices, the medical clinic would have to directly bill the private patient. Pedgrift stated that "on private patients, if you [the medical clinic] bill the patient, then the medical clinic will pay the prices indicated on the [lower] price list and then the clinic can charge the patient whatever it wants to charge." Pedgrift stated that "some doctors still pay higher prices for tests on private [patients]. They don't realize the lower prices. If volume is good than $5 is fine, instead of $8, for the same test."

6. That on December 23, 1975, Pedgrift stated that United Medical Laboratories would "pay back rent to the medical clinic [based] on all public aid tests" ordered by the medical clinic. Pedgrift stated that "on public aid, we have to cover rent and equipment, rent for room and technician. We work out equitable rent situation with you."

7. That on December 23, 1975, Pedgrift stated that United would not pay any rent to the medical clinic during the first month of business at the clinic.

Pedgrift stated that after the medical clinic's first month of business, United would "get [an] idea of volume and then figure monthly rent." Pedgrift stated that some medical clinics serviced by United have rents of $800 and Pedgrift says United absorbs the entire $800 rent. Pedgrift stated that if United is paying a flat rent the laboratory is constantly evaluating the rent. If a medical clinic's volume of medical tests goes down United will call the clinic and tell them that they had better get their volume up.

8. That on December 23, 1975, Pedgrift stated that if the volume of medical tests ordered by the laboratory is constantly low, then United will lower the amount of rent it is paying to the lab. Pedgrift stated that if the volume increases United will re-evaluate the rent and raise the rent.

9. That on December 23, 1975, I asked Pedgrift if United actually looked at the volume of medical tests ordered by the medical clinic and take a percentage of that and apply it to the rent for the clinic. Pedgrift stated, "Right."

10. That the above statements were made in the presence of Geralyn Delaney and myself on December 23, 1975.

DOUGLAS A. LONGHINI.

Subscribed and sworn to before me this 20th day of January, 1976. Geralyn L. Delaney, notary public.

STATE OF ILLINOIS,
County of Cook, ss:

AFFIDAVIT

I, Douglas A. Longhini, being first duly sworn, do state under oath that the following is true to the best of my knowledge:

1. That I am an employee of the Better Government Association located at 360 North Michigan Avenue, Suite 1118, Chicago, Ill. I am employed presently as an investigator by the Better Government Association and was so employed throughout the month of December 1975.

2. That on December 22, 1975, I telephoned Norsom Medical Reference Laboratories, Inc., located at 710 Higgins Road, Park Ridge, Ill. I spoke with a man who identified himself as Mr. Paradise. I told Mr. Paradise that my name was Luke Kolman and that I represented two (2) licensed Illinois physicians who were going to open a medical clinic at 1520 West Morse, Chicago, Ill. I told Mr. Paradise that I was going to be purchasing medical laboratory testing services for the proposed medical clinic. I made an appointment for 1 p.m., December 23, 1975 to have Mr. Paradise come to the medical cinic at 1520 West Morse.

3. That on December 23, 1975, between the hours of 8:40 a.m. and 1:30 p.m., I, along with Geralyn Delaney, was physically present at the medical clinic located at 1520 West Morse, Chicago, Ill.

4. That at approximately 1 p.m., December 23, 1975, a man entered the medical clinic and identified himself as Mr. Paradise of Norsom Medical Reference Laboratories, Inc.

5. That on December 23, 1975, Mr. Paradise stated that if the clinic did the billing on private patients and drew the specimens the lab would have a flexible profile on private patients. Mr. Paradise stated that the lab would charge less for private than they would for medicaid.

6. That the above statement was made in the presence of Geralyn Delaney and myself.

DOUGLAS A. LONGHINI.

Subscribed and sworn to before me this 5th day of February, 1976. Geralyn L. Delaney, notary public.

STATE OF ILLINOIS,
County of Cook, ss:

AFFIDAVIT

I, Douglas A. Longhini, being first duly sworn, do state under oath that the following is true to the best of my knowledge:

1. That I am an employee of the Better Government Association located at 360 North Michigan Avenue, Suite 1118, Chicago, Ill. I am employed presently as an investigator by the Better Government Association and was so employed throughout the month of January 1976.

2. That on January 8, 1976, Geralyn Delaney telephoned Tenn Clinical Laboratory, located at 1057 West Argyle, Chicago, Ill. Ms. Delaney told a man, who identified himself as Mr. Diancin, that two (2) licensed Illinois physicians were going to open a medical clinic at 1520 West Morse. Ms. Delaney said that the doctors would be purchasing medical laboratory testing services for the proposed medical clinic. Ms. Delaney made an appointment for 10 a.m., January 9, 1976, to have Mr. Diancin come to the medical clinic at 1520 West Morse.

3. That on January 9, 1976, between the hours of 9 a.m. and 11:30 a.m., I was present at 1520 West Morse, Chicago, Ill. Also present at this address during this period was George Bliss and Jean Butzen.

4. That at approximately 10 a.m. on January 9, 1976, a man entered the building at 1520 West Morse and identified himself as Ted Diancin. Diancin gave me a business card identifying Ted Diancin as president of Tenn Clinical Laboratory, Inc.

5. That on January 9, 1976, Diancin stated that Tenn would charge the medical clinic 50 percent less for medical tests performed for private patients than the laboratory would charge the State for tests performed for medicaid patients. Diancin stated that if a test cost $5, Tenn Laboratory would charge the medical clinic $2.50 for private patient tests.

6. That on January 9, 1976, Diancin stated that Tenn Clinical Laboratory would rent space at the medical clinic for a blood drawing station. Diancin stated that the rent the laboratory would pay the clinic would be based on a percentage of the volume of medical testing business that the clinic referred to Tenn Laboratory. Diancin sated that if the clinic referred $1,000 in medical tests to the laboratory a month, the monthly rent paid by Tenn would be 15 percent of that $1,000. Diancin stated that if the clinic referred more than $4,000 in medical tests to the laboratory, the monthly rent paid by Tenn would be 25 percent of that month's billings.

7. That on January 9, 1976, Diancin stated that Tenn could sign a legal sublease or lease of space at the clinic. Diancin stated that the rent would be evaluated monthly by Tenn. If the volume of medical testing business referred by the medical clinic would decline than the rent paid by Tenn to the medical clinic would also decline proportionately. Diancin stated that Tenn would rent as little as one square foot of space at the medical clinic. Diancin stated that Tenn would not actually use the rented space. Diancin stated that the only reason Tenn would legally sublease the space at the clinic was "just for the IRS, just to make it look legal."

8. That on January 9, 1976, the above statements were made in the presence of Jean Butzen, George Bliss, and myself.

DOUGLAS A. LONGHINI.

Subscribed and sworn to before me this 5th day of February, 1976. Geralyn L. Delaney, notary public.

STATE OF ILLINOIS,
County of Cook, ss:

AFFIDAVIT

I, Geralyn Delaney, being first duly sworn, do state under oath that the following is true to the best of my knowledge:

1. That I am employed by the Better Government Association, 360 North Michigan, Suite 1118, Chicago, Ill., as a secretary, and have been employed there since April 1, 1974.

2. That on December 16, 1975, at 11 a.m., I was present at 1520 West Morse, Chicago, Ill., when a man entered the premises. He identified himself as Dr. Velez from Azteca Laboratory.

3. That on December 16, 1975, Dr. Velez stated for private patients our clinic would get a "professional service discount" on lab test prices and if our clinic received 10–15 private, medicare, or medicaid patients a day, Azteca would lease a certain amount of space in our clinic. Our clinic would get a statement every month which would show us our volume, gross, etc., and Dr. Velez said, "The lab will give you some percentage applied to your facilities. This is legal." Dr. Velez gives "$1,200 a month to one clinic, but he has the volume."

4. That on December 16. 1975. Dr. Velez showed Doug Longhini and myself a statement to the Illinois Department of Public Aid showing the amount Azteca charged for a certain test, for example $49, and the cash value the State pays

for the same test, for example $39. Other tests were listed on the statement for public aid patients and the total amount charged came to $4,994 and the total amount received from the State was $3,853. Dr. Velez stated Azteca would give the clinic the $1,000 difference, about a 25 percent discount applied to our rent.

5. That the above statements were made in the presence of Doug Longhini and myself.

GERALYN DELANEY.

Subscribed and sworn to before me this 13th day of January, 1976. Robert C. Howard, notary public.

STATE OF ILLINOIS,
County of Cook, ss:

AFFIDAVIT

I, Geralyn Delaney, being first duly sworn, do state under oath that the following is true to the best of my knowledge:

1. That I am employed by the Better Government Association, 360 North Michigan, Suite 1118, Chicago, Ill., as a secretary, and have been employed there since April 1, 1974.

2. That on December 16, 1975, I was present at 1520 West Morse, Chicago, Ill., at 10 a.m. when two (2) men entered the premises. Both men identified themselves as being from Division Laboratories; one identified himself as John Todd and the other as Felix Salamanca.

3. That on December 16, 1975, John Todd stated Division would sublease space in our clinic for the technician to draw the blood. Mr. Todd stated Division would review the payment for the subleased space every three (3) months. Mr. Todd also stated Division could provide electrical and plumbing contracting services for our medical clinic.

4. That on December 16, 1975, Mr. Todd stated Division would pay the salary of the clinic's secretary and/or the nurse that draws the blood.

5. That Division would provide the necessary equipment—ekg and X-ray, and a technician who would be on Division's payroll or the doctor's payroll.

6. That the above statements were made in the presence of Douglas Longhini and myself.

GERALYN DELANEY.

Subscribed and sworn to before me this 13th day of January, 1976. Robert C. Howard, notary public.

STATE OF ILLINOIS,
County of Cook, ss:

AFFIDAVIT

I, Geralyn Delaney, being first duly sworn, do state under oath that the following is true to the best of my knowledge:

1. That I am employed by the Better Government Association, 360 North Michigan, Suite 1118, Chicago, Ill., as a secretary, and have been employed there since April 1, 1974.

2. That on December 16, 1975, I was present at 1520 West Morse, Chicago, Ill., at 9 a.m. when a man entered the above-stated premises. His business card identified him as Riaz Khan from West Lawn Medical Laboratory.

3. That on December 16, 1975, Mr. Khan stated that West Lawn Medical Laboratory would not charge our medical clinic for the tests done on private patients if we got five (5) to ten (10) public aid patients a day. He also stated that if our clinic received a volume of between 15–20 patients a day, West Lawn would charge us the minimum on lab tests.

4. That on December 16, 1975, Mr. Khan stated the prices on West Lawn's medical testing price list were negotiable, but he would have to talk with the doctors. If the doctors could guarantee the private and medicaid business, prices of lab testing could be negotiated.

5. That on December 16, 1975, Mr. Khan stated that business between our medical clinic and West Lawn would not be arranged by contract; rates would all be verbal.

6. That on December 16, 1975, Mr. Khan stated West Lawn would sublease space in our clinic for a technician to draw the blood and West Lawn would pay

us for this space. The amount of rent West Lawn would pay us would be based on volume.

7. That the above statements were made in the presence of Douglas Longhini and myself.

GERALYN DELANEY.

Subscribed and sworn to before me this 13th day of January, 1976. Robert C. Howard, notary public.

STATE OF ILLINOIS,
County of Cook, ss:

AFFIDAVIT

I, Geralyn Delaney, being first duly sworn, do state under oath that the following is true to the best of my knowledge:

1. That I am employed by the Better Government Association, 360 North Michigan, Suite 1118, Chicago, Ill., as a secretary, and have been employed there since April 1, 1974.

2. That on December 16, 1975, at 2 p.m. at 1520 West Morse, Chicago, Ill., I was present when a man entered the premises. His business card identified him as Mr. James Robinson from Chicago Medical Laboratories.

3. That on December 16, 1975, Mr. Robinson said, "We make arrangements in terms of rent." Mr. Robinson stated the lab could lease space in our clinic. Douglas Longhini asked Mr. Robinson if our clinic would sign a sublease with Chicago Medical, and Mr. Robinson said, "I wouldn't worry much about leases until we get started." "Leases are only if you have a good thing going." Mr. Robinson stated the clinic could expect a check back, and put it toward rent. Mr. Robinson said, "Rent is adjusted to whatever volume is."

4. That on December 16, 1975, Mr. Robinson stated Chicago Medical Labs could give back to the clinic a percentage based on a fixed figure and if the volume of medical tests rose the percentage would be adjusted substantially. Mr. Robinson said, "I can give you service in terms of percentage." Mr. Robinson said, "I can't deal without a fixed percentage," and stated the percentage is higher on private patients, two times as much. He also stated that if Chicago Medical got an SMA–12 and a urinalysis from the clinic, which would amount to $20, then the clinic would get back 40 percent of that figure (this being on private patients).

5. That on December 16, 1975, Mr. Robinson stated it would be to our advantage to let Chicago Medical license the clinic, that way we can get a tax writeoff. Chicago Medical does this for large facilities.

6. That the above statements were made in the presence of Douglas Longhini and myself.

GERALYN DELANEY.

Subscribed and sworn to before me this 13th day of January, 1976. Robert C. Howard, notary public.

STATE OF ILLINOIS,
County of Cook, ss:

AFFIDAVIT

I, Geralyn Delaney, being first duly sworn, do state under oath that the following is true to the best of my knowledge:

1. That I am employed by the Better Government Association, 360 North Michigan, Suite 1118, Chicago, Ill., as a secretary, and have been employed there since April 1, 1974.

2. That on December 16, 1975, at 3:05 p.m., I was present at 1520 West Morse, Chicago, Ill., when a man entered the premises. He identified himself as Dr. Charlip from General Medical Laboratories, Ltd.

3. That Dr. Charlip stated General Medical had two separate price lists; one for private patients, the other for medicare and medicaid patients, the latter two paying a higher amount of money. Dr. Charlip said he would send us the two price lists.

4. That on December 16, 1975, Dr. Charlip said when the physician is billing his patients, "There are a lot of tricks so you can get the full benefit, so when you need it, let me know." Dr. Charlip stated there are codes that will get the clinic $8–$25.

5. That the above statements were made in the presence of Douglas Longhini and myself.

GERALYN DELANEY.

Subscribed and sworn to before me this 20th day of January, 1976. Robert C. Howard, notary public.

STATE OF ILLINOIS,
County of Cook, ss:

AFFIDAVIT

I, Geralyn Delaney, being first duly sworn, do state under oath that the following is true to the best of my knowledge:

1. That I am employed by the Better Government Association, 360 North Michigan, Suite 1118, Chicago, Ill., as a secretary, and have been employed there since April 1, 1974.

2. That on December 17, 1975, at 10:50 a.m., I was present at 1520 West Morse, Chicago, Ill., when a man entered the premises. He identified himself as Mr. Simos, manager of Hilltop Labs, but was representing himself for Claremont Laboratories, a lab that he was going to open soon.

3. That on December 17, 1975, Mr. Simos said, "If you have good volume you will get very good rent from us. We have to make it look like rent. Which is a way to say thank you. We are renting the availability of business within the premises and that is legal." Mr. Simos stated the rent his lab would pay the clinic is based upon volume.

4. That on December 17, 1975, Mr. Simos stated that his lab will give the clinic a discount of up to 40 percent but it is up to the clinic to draw the blood. No technician is provided to draw the blood if the clinic gets a 40 percent discount. Mr. Simos said, "The lab will give you a discount on lab prices if you want to collect the money yourself. You can get a discount on private patients."

5. That on December 17, 1975, Mr. Simos stated after 1 to 2 months the lab would evaluate our volume and if it increases the amount of discount will increase, but the discount is not to exceed 30 percent of the volume. Mr. Simos said, "I can give you up to 50 percent but auditors can check up on it."

6. That on December 17, 1975, Mr. Simos stated if the clinic received 30 patients the clinic could get $500 toward rent plus salary of the blood drawer. The lab must have a sublease, but the lab will not need that space. Mr. Simos said, "As soon as they [auditors] see the rental agreement they will stop talking to the doctor." There is an "open lease that we could negotiate and renew tomorrow."

7. That on December 17, 1975, Mr. Simos stated he could provide the clinic with a pharmacy, but it would be more profitable for the clinic to have their own pharmacy set up.

8. That Mr. Simos stated that if the clinic received 30 patients the lab would provide a technician to draw the blood; and if the clinic receives under 30 patients the clinic must draw the blood themselves.

9. That the above statements were made in the presence of Douglas Longhini and myself.

GERALYN DELANEY.

Subscribed and sworn to before me this 13th day of January, 1976. Robert C. Howard, notary public.

STATE OF ILLINOIS,
County of Cook, ss:

AFFIDAVIT

I, Geralyn Delaney, being first duly sworn, do state under oath that the following is true to the best of my knowledge:

1. That I am employed by the Better Government Association, 360 North Michigan, Suite 1118. Chicago, Ill., as a secretary, and have been employed there since April 1. 1974.

2. That on December 17, 1975, at 10 a.m., I was present at 1520 West Morse, Chicago, Ill.. when a man entered the premises. His business card identified him as Joselito C. Espino, president of D. J. Medical Laboratory, Inc.

3. That on December 17, 1975, Mr. Espino stated D. J. Labs has two (2) separate price lists for their medical testing; one for private, the other for public aid. Following is the list of prices Mr. Espino stated to Douglas Longhini and myself:

Test	Prices charged for private	Prices charged for State
SMA-12	$3.50	$15.00
CBC	2.50	6.00
Urinalysis	1.50	3.00
VDRL	3.00	(1)
ABO	1.50	3.50
Rh	1.50	3.50
Glucose	2.50	5.00
Pap smear	4.00	10.00
All cultures	5.00	10.00
G.P. smear	1.50	3.00
TEC	1.50	3.00
Stool O/P	1.50	3.00
TIBC	3.00	7.00
T-3	6.00	12.00
T-4	6.00	12.00
PBI [2]		
Na	2.00	3.00
K	2.00	3.00
Creatinine	3.00	7.00
ASO	2.00	5.00
Pregnancy	3.00	8.00
ANA	6.00	12.00
SGPT	2.50	5.00
Floculation	2.50	5.00
Thymol	2.50	5.00
Latex	2.00	5.00
CRP	2.00	5.00
Ekg	6.00	12.00

[1] No payment.
[2] D.J. does not take these tests, they send to Mason and Baron.

4. That on December 17, 1975, when asked by Doug Longhini if our clinic could get into trouble because of the low prices charged for private patients as compared to public aid, Mr. Espino stated the clinic would not get into trouble because none of these prices are written down, they are all verbal.

5. That the above statements were made in the presence of Douglas Longhini and myself.

GERALYN DELANEY.

Subscribed and sworn to before me this 13th day of January, 1976. Robert C. Howard, notary public.

STATE OF ILLINOIS,
County of Cook, ss:

AFFIDAVIT

I, Geralyn Delaney, being first duly sworn, do state under oath that the following is true to the best of my knowledge:

1. That I am employed by the Better Government Association, 360 North Michigan, Suite 1118, Chicago, Ill., as a secretary, and have been employed there since April 1, 1974.

2. That on December 18, 1975, at approximately 11:15 a.m., Douglas Longhini and myself entered the Ridgeland Medical Laboratories, which are located on the 2d floor at 101 Madison Street, Oak Park, Ill. The man who met us introduced himself as Mr. Villanueva, the owner of Ridgeland.

3. That on December 18, 1975, Villanueva said, "If it warrants we rent a room from you and place a girl there to draw the blood." Villanueva stated that Ridgeland will evaluate the lease every 6 months to a year, to see what the volume is. If the volume increases then a new lease is drawn up and the amount of rent increases. Villanueva stated that if the volume warrants we could be getting more than what we pay for the whole rent. If the volume goes up 10 times, the rent could go up 10 times. Villanueva stated there is no ceiling on the amount of rent the clinic can charge the lab. Villanueva said, "I don't

have to know how much rent you are paying." Our clinic would charge the lab a base rent for a certain amount of square feet of space. If the volume goes up the clinic can increase rent, but the amount of square feet of space does not increase. Villanueva stated his lab would only need to rent from the clinic just a couple square feet of space, just enough for the girl to be able to draw the blood.

4. That on December 18, 1975, Villanueva stated the technician will not be drawing blood the whole 8 hours she is at our clinic. She may spend 30 percent of her time drawing blood and the other 70 percent helping out secretarially with filing, etc. Ridgeland would pay 50 percent of her salary and the clinic would pay the other 50 percent of her salary, even though she might work 30 percent drawing blood and 70 percent doing secretarial work.

5. That the above statements were made in the presence of Douglas Longhini and myself.

GERALYN DELANEY.

Subscribed and sworn to before me this 20th day of January, 1976. Robert C. Howard, notary public.

STATE OF ILLINOIS,
County of Cook, ss:

AFFIDAVIT

I, Geralyn Delaney, being first duly sworn, do state under oath that the following is true to the best of my knowledge:

1. That I am employed by the Better Government Association, 360 North Michigan, Suite 1118, Chicago, Ill., as a secretary, and have been employed there since April 1, 1974.

2. That on December 23, 1975, at 12:10 p.m., I was present at 1520 West Morse, Chicago, Ill., when a man entered these premises. He identified himself at Mr. LaPena from Northside Clinical Lab.

3. That on December 23, 1975, Mr. LaPena stated he had a special price list of medical tests for private patients. For example, for an SMA–12 the State would pay $15, but for private an SMA–12 would be $4.50. Mr. LaPena stated if the clinic's public aid patients comprised 80–90 percent of entire volume, Northside would not charge for private patients. LaPena said Northside charges "50 percent less for private patients on all tests."

4. That on December 23, 1975, Mr. LaPena stated the percentage paid back to the clinic by Northside is up to the clinic. Anything the clinic has in mind Northside will compromise. Northside will give the clinic a percentage of the volume or a flat fee.

5. That on December 23, 1975, Doug Longhini asked how the lab will work the arrangement stated in (4) above. LaPena stated that some medical clinics have a flat fee of $600 and some get back a percentage on total volume of both public aid and private. The clinic totals up its gross for the day, then multiplies that by 45 percent, and this is applied to the rent. For one week if the clinic grosses more than $1,000, the clinic gets back 50 percent. Doug asked, "How is it paid back?" LaPena replied, "Every Tuesday I will be ready with a check." Doug asked, "For rental of space?" LaPena said, "Yes." Doug asked LaPena, "Will you be using that footage?" LaPena answered, "No. All we need is a blood machine and a chair. If you have EKG machine, then we will need a room."

6. That on December 23, 1975, LaPena stated if the lab provides a blood technician then his salary will be taken out of the 45 percent given back to the clinic.

7. That on December 23, 1975, Doug asked LaPena if there would be a sublease written up. LaPena stated it would be up to the clinic, whatever the clinic would want. LaPena said, "I don't know how legal it is, but rental agreement could say that we are giving you back 45 percent." LaPena stated any surplus over the $1,200 gross, the lab would apply to paying clinic's secretary and telephone bill, etc.

8. That on December 23, 1975, Doug asked LaPena if the clinic's volume was high enough will the clinic get a $600 flat fee back. LaPena stated that if the clinic had at least eight patients a day for tests to equal $1,200 in lab fees for a week, then yes we would get a $600 flat fee back.

9. That the above statements were made in the presence of Douglas Longhini and myself.

GERALYN DELANEY.

Subscribed and sworn to before me this 20th day of January, 1976. Robert C. Howard, notary public.

STATE OF ILLINOIS,
County of Cook, ss:

AFFIDAVIT

I, Geralyn Delaney, being first duly sworn, do state under oath that the following is true to the best of my knowledge:

1. That I am employed by the Better Government Association, 360 North Michigan, Suite 1118, Chicago, Ill., as a secretary, and have been employed there since April 1, 1974.

2. That on December 23, 1975, at 9:45 a.m., I was present at 1520 West Morse when a woman entered the premises. She identified herself as Judy Pedgrift from United Medical Laboratory.

3. That on December 23, 1975, Ms. Pedgrift stated United charges $15 for an SMA–12 test downtown for public aid. In the suburbs United bills the patients $10, because the patients in the suburbs cannot afford the $15.

4. That when Douglas Longhini asked Ms. Pedgrift if the prices for lab tests would remain the same despite the volume, she replied, "Yes."

5. That on December 23, 1975, Ms. Pedgrift said, "On public aid we pay back rent to cover your expenses." Ms. Pedgrift stated that with private patients, if the clinic bills the patients, the clinic pays the price indicated on the list and the clinic charges the patients whatever it wants. Ms. Pedgrift stated that United Labs would help the clinic cover its rent and equipment expenditures, the rent for room and technician. She said, "We'll work out an equitable rent situation with you."

6. That on December 23, 1975, Doug asked Ms. Pedgrift if the clinic would have an actual sublease. Ms. Pedgrift stated that United Labs would have to get an idea of the clinic's volume and then figure the monthly rent. Usually United does not give a first month's rent because they want to get an idea of the clinic's volume first. Ms. Pedgrift stated that all the clinic's expenses must be paid. Some clinics ask for 60 percent of their volume to be paid back by the lab, some ask 40–50 percent. Ms Pedgrift said, "How can we make any money? We would rather work out something fair to both parties.

7. That on December 23, 1975, Doug asked Ms. Pedgrift if the percentage was based on volume. Ms. Pedgrift stated that some clinics pay a straight rent of $800 and the lab absorbs that $800.

8. That on December 23, 1975, Doug asked Ms. Pedgrift how often the rent was reevaluated Ms. Pedgrift stated that for flat rent United constantly evaluates the rent. When some clinic's volume goes down, United calls them up and tells them they had better get their volume up again to where it was. Doug asked Ms. Pedgrift if United would lower the rent paid back if the clinic's volume were to go down. Ms. Pedgrift stated that if the volume of the clinic is constantly low, then the clinic takes a cut in rent. Doug asked Ms. Pedgrift that if the volume of the clinic were to go up would United reevaluate the rent, and Ms. Pedgrift replied, "Yes."

9. That on December 23, 1975, Doug asked Ms. Pedgrift if United would provide the clinic with a lab technician. Ms. Pedgrift stated that the clinic would have to find their own technician for that area. United has to pay $600 a month for the technician's salary.

10. That Doug asked Ms. Pedgrift if United actually looked at volume and took a percentage of that, and Ms. Pedgrift said, "Right."

11. That Doug asked Ms. Pedgrift if the clinic would have a legal lease and she answered, "That can be done."

12. That the above statements were made in the presence of Douglas Longhini and myself.

GERALYN DELANEY.

Subscribed and sworn to before me this 20th day of January, 1976. Robert C. Howard, notary public.

STATE OF ILLINOIS,
County of Cook, ss:

AFFIDAVIT

I, Geralyn Delaney, being first duly sworn, do state under oath that the following is true to the best of my knowledge:

1. That I am employed by the Better Government Association, 360 North Michigan, Suite 1118, Chicago, Ill., as a secretary, and have been employed there since April 1, 1974.

2. That on December 23, 1975, at approximately 1 p.m., I was present at 1520 West Morse, Chicago, Ill., when a man entered the above-stated premises and identified himself as Mr. Paradise from Norsom Medical Reference Laboratories, Inc.

3. That on December 23, 1975, Mr. Paradise stated that Norsom had reference fees that they would charge the clinic, and the doctors could set their own fee of what they would want to charge. Paradise stated that for a chemistry profile test Norsom would charge us $4.80 (reference fee) and public aid allows $15. The only time Norsom would not charge us $4.80 is when they take care of the billing on public aid patients. On a glucose test Norsom would charge the clinic $2.40, public aid pays $6–$8.

4. That on December 23, 1975, Mr. Paradise stated Norsom could provide Ph. D. consultation services for the doctors.

5. That the above statements were made in the presence of Douglas Longhini and myself.

GERALYN DELANEY.

Subscribed and sworn to before me this 5th day of February, 1976. Robert C. Howard, notary public.

STATE OF ILLINOIS,
County of Cook, ss:

AFFIDAVIT

I, Geralyn Delaney, being first duly sworn, do state under oath that the following is true to the best of my knowledge:

1. That I am employed by the Better Government Association, 360 North Michigan, Suite 1118, Chicago, Ill., as a secretary, and have been employed there since April 1, 1974.

2. That on January 6, 1976, at approximately 4:25 p.m., I was present at 1520 West Morse, Chicago, Ill., along with Douglas Longhini and Patrick Riordan, investigators for the Better Government, when Bill Footlick and Felix Salamanca, both from Division Medical Laboratory, entered the above-stated premises.

3. That on January 6, 1976, the following conversation took place:

Footlick stated Division was the largest Public Aid lab in the State. "If we charge private patients less than the State, then we lose the privilege of dealing with the State. We charge private the same as the State. You can charge more if you want," said Footlick.

Doug asked what the arrangements were.

Footlick: ". . . percentage of the volume of business in dealing with public aid. Our lab is in good standing with the State. We do a legitimate business. We pay a flat rental and determine that rental on the first month's volume." Rental "must stay as fixed amount but rent is reviewed every 3–4 months."

Riordan asked what percentage Footlick was talking about.

Footlick: "Depends on volume. It ranges between 25–30 percent. Any lab that talks more than that is only kidding you. The lab cannot afford more than that for rental."

Doug asked if Division makes an estimate during first month based on volume, somewhere between 25–30 percent. Is rent evaluated every 3–4 months and does it depend on the volume.

Footlick: "Not drastically and not on a constant basis; on a long period of time because again we don't want a part of percentages."

Doug asked if this arrangement is just between Division and the clinic.

Footlick: "I am able to be looked at. What we discuss here . . . by FBI. This is not frowned upon. It is a percentage as starting base."

Footlick stated that the lab gets business by (1) physician requesting lab work, (2) public aid or private patients call Medi-Car and are transported to the lab which is very expensive for the State, and (3) by having a station within the clinic where the blood can be drawn which substantiates the rental payment which is based more on the amount of people than business. Sending 20 people by Medi-Car costs the State more than rental they could work out with clinic, Footlick rationalized.

Doug asked Footlick how many square feet the lab would need to draw the blood.

Footlick: "A blood drawer, chair and cabinet."

Doug stated the clinic's rental is $450 a month. If the clinic's business is brisk in the beginning the clinic could get that $450 back in rent.

Footlick: "Oh sure, $5,000–$6,000 a month."

Doug asked if the clinic would get $5,000–$6,000 a month for rent.

Footlick: "Sure. . . . volume of people."

Doug asked if the clinic would sign a lease.

Footlick: "Sure. . . . wouldn't be able to refer to rent until we look at volume. We would have to renegotiate the lease."

Riordan asked if the clinic's rent would change four times a year.

Footlick: "I don't think it would be fair to do once or twice and get good idea of volume."

Riordan asked if Division provides a technician to draw the blood.

Footlick: "Depends on volume."

Doug asked Footlick if the clinic gets a rebate off of the volume.

Footlick: "A rose, is a rose, is a rose. I look at it as a rental."

Doug asked if the clinic was safe from the FBI.

Footlick: "FBI frowns upon an incentive for the doctor to draw in a lot of . . . on kickback system. . . . I justify it would cost more to bring these patients to the lab than if I were to do the work here."

Riordan asked Footlick how much he is saving the State by giving us rent, instead of having the patients brought to the lab.

Footlick: "On Medi-Car . . . would be somewhere around $4,000–$5,000. . . . charge $25–$50" for one trip to lab in the Medi-Car.

4. That at this point, Mike Wallace entered and stated that the remainder of this conversation was being recorded for broadcast.

GERALYN DELANEY.

Subscribed and sworn to before me this 20th day of January, 1976. Robert C. Howard, notary public.

STATE OF ILLINOIS,
County of Cook, ss:

AFFIDAVIT

I, Geralyn Delaney, being first duly sworn, do state under oath that the following is true to the best of my knowledge:

1. That I am employed by the Better Government Association, 360 North Michigan, Suite 1118, Chicago, Ill., as a secretary and have been employed there since April 1, 1974.

2. That on January 6, 1976, at approximately 3:25 p.m., I was present at 1520 West Morse, Chicago, Ill., along with Douglas Longhini and Patrick Riordan, investigators for the Better Government Association, when Harry Keshian from United Medical Laboratory entered the above-stated premises.

3. That on January 6, 1976, the following conversation took place:

Doug asked Keshian how much he would charge here for an SMA.

Keshian: "We charge 50 percent."

Riordan asked if this was across the board.

Keshian: "Yes."

Doug asked if the clinic could charge 50 percent of what the public aid schedule is.

Keshian: "Yes. I have to charge same prices downtown. You are charging patients directly here."

Riordan asked if United would do the billing.

Keshian: "Yes. We keep record and receipt book."

Doug asked if United would give the clinic back 50 percent.

Keshian: "Yes."

Doug asked if the clinic gets a rebate for all public aid.
Keshian: "Yes."
Doug asked if this would be in the form of rent.
Keshian: "Yes. We give to factoring agency . . . they charge 8–9 percent interest."
Doug asked if 50 percent was left from the factoring company.
Keshian: "Yes."
Doug asked how payment is arranged.
Keshian: "Pay you in advance and readjust at the end of the month."
Doug asked if the payment was in the form of a check.
Keshian: "Yes, of course."
Riordan asked Keshian if at the end of the month the clinic gets back 50 percent of the gross volume.
Keshian: "Yes."
Riordan asked if there would be any problem if the rent check fluctuates up and down.
Keshian: "I would rather keep it the same, steady; it looks better in the books."
Keshian was asked if the clinic is getting 50 percent back.
Keshian: "We bill you the prices given to you."
Keshian: "We charge you one price and the doctor bills what he wants."
Doug asked Keshian if the volume goes up would United re-evaluate the rent.
Keshian: "We do not reevaluate the rent."
Doug asked if some doctors ask for up to 60 percent back.
Keshian: "That is right."
4. That at this point, Mike Wallace entered and stated the rest of the conversation was being recorded for broadcast.

GERALYN DELANEY.

Subscribed and sworn to before me this 20th day of January, 1976. Robert C. Howard, notary public.

STATE OF ILLINOIS,
County of Cook, ss:

AFFIDAVIT

I, Geralyn Delaney, being first duly sworn, do state under oath that the following is true to the best of my knowledge:
1. That I am employed by the Better Government Association, 360 North Michigan, Suite 1118, Chicago, Ill., as a secretary, and have been employed there since April 1, 1974.
2. That on January 6, 1976, at approximately 2:05 p.m., I was present at 1520 West Morse, Chicago, Ill., along with Douglas Longhini and Patrick Riordan, investigators for the Better Government Association, when Joe Espino from D. J. Medical Laboratory entered the above-stated premises.
3. That on January 6, 1976, the following conversation took place:
Doug asked if D.J.'s prices for private patients are competitive.
Espino restated the prices for private as being $3.50 for an SMA–12 with the State paying $15; $2.50 for CBC with State paying $6; $4 for pap smear with State paying $10; $6 for EKG with State paying $12.
Riordan asked if a discount would be applied, and if there would be a limit on private patients.
Espino: "I am basing this when medical center is working full time. As far as prices are concerned the number of patients doesn't matter. If you have 1 or 100 a day prices will be the same. Mason and Baron will charge $5.50 for an SMA–12. When you increase volume, prices will not vary."
Riordan asked Espino if his lab was offering a 50 percent discount for private patients.
Espino: "Right."
Dough asked Espino if these prices are legal, since they are not written down. Are there any problems with this.
Espino: "There is nothing we can do about it. It is illegal for us to publish different private prices."
Riordan asked if he would lose his license; if this is illegal for the doctor.
Espino: "I don't know."

Riordan asked Espino if what he was doing is illegal.
Espino: "Right."
Doug asked Espino if he had any problems in the past with prices; has there been any auditing.
Espino: "I was asked by them how much I charged for patients. For quite some time I know whatever we charge for private we are supposed to charge for public aid."
Doug asked if the charge for private should be the same as charged for the State.
Espino: "Yes."
Riordan asked if the auditors would get after him for the different prices.
Espino: "I don't think so. In the first place—I do not know, I cannot answer your question."
Riordan asked if the clinic would get a 50 percent discount on private patients.
Espino: "Right."
Doug asked if we get a 25 percent rebate.
Espino: "Yes."
Doug asked how this rebate is paid.
Espino: "A check."
Doug asked if the check is sent in the mail.
Espino: "Right."
4. That at this point Mike Wallace entered and stated that the remainder of this conversation was being recorded for broadcast.

GERALYN DELANEY.

Subscribed and sworn to before me this 20th day of January, 1976. Robert C. Howard, notary public.

STATE OF ILLINOIS,
County of Cook, ss:

AFFIDAVIT

I, Geralyn Delaney, being first duly sworn, do state under oath that the following is true to the best of my knowledge:
1. That I am employed by the Better Government Association, 360 North Michigan, Suite 1118, Chicago, Ill., as a secretary, and have been employed there since April 1, 1974.
2. That on January 6, 1976, at 10:55 a.m., I was present at 1520 West Morse, Chicago, Ill., along with Douglas Longhini and Patrick Riordan, investigators for the Better Government Association, when Mr. Simos, representing Claremont Laboratories, entered the above-stated premises.
3. That on January 6, 1976, the following conversation took place:
Doug asked Simos to explain about the technician.
Simos: "As I explained there are changes . . . I got in touch with my lawyer and . . . they printed in the paper where someplaces small space is rented for $500 in different areas. According to the paper, one lab, not mine, is being sued. Might be changes here. Alternative is to give flat rate and not go up and down. What we would like to avoid is making it look like a kickback to you."
Riordan asked if the payment will look like kickback.
Simos: "We have to set up fixed payment . . . $200 a month on one room here to be used. Drawing room and EKG room."
Riordan asked Simos if he is proposing $200 a month.
Simos: "We gage amount of rent in this . . . center . . . we should agree on how much rent in one space and provide you with technician."
Doug asked if the rent is reevaluated.
Simos: "Yes. Based on volume."
Doug asked if the rent is changed once or twice a year.
Simos: "Raise rent? Fine."
Doug stated then that if the clinic has 30 patients a day, we can have a sublease and get between $500 and $700 a month. Can we still be getting that amount of money for a small amount of square footage being used in this clinic.
Simos: "Yes."

Riordan asked if the clinic can get $200.

Simos: "That was an example figure. We can vary from $200, $500, $600. . . ."

Riordan asked if Simos was proposing this to look like rent.

Doug asked Simos if the rent is a rebate on the volume.

Simos: "Yes. Have to base it if getting good volume . . . fine with me."

Doug asked if the clinic can charge $1,000 for footage.

Simos: "Yes. If you have business and I am making money out of it."

Doug asked Simos if he was changing his business style with his other clinics, too.

Simos: "I have started calling them up and telling them the problem . . . we fix rent looking at volume . . . it has to be fixed to look like rent."

Riordan asked if the authorities could go through the bills and find something.

Simos: "They don't do that very often, and once public aid gets on you and makes audit of operation. . . ."

Riordan asked if public aid, FBI, etc., have audited Simos' lab.

Simos: "Not my lab . . . your expenses are first thing they look at."

Doug asked if Simos was being audited now.

Simos: "I would like to get ahead of them."

Doug asked if Simos' lab had been audited yet.

Simos: "No, not yet."

Riordan asked if the clinic has 70–80 percent public aid would we be charged for private patients.

Simos: "They will be charged same as public aid. If you order five tests we want to take it easy on private patients. We just charge them for two tests. Most of . . . patient charges not collected on insurance and doctor wants lab tests and test becomes useless and doctor does test all over in hospital."

Riordan asked Simos if the clinic gets a break on private patients.

Simos: "Yes."

Doug asked Simos if he would be using much footage in the clinic.

Simos: "Not necessarily."

4. That at this point Mike Wallace entered and stated that the rest of this conversation was being recorded for broadcast.

GERALYN DELANEY.

Subscribed and sworn to before me this 20th day of January, 1976. Robert C. Howard, notary public.

STATE OF ILLINOIS,
County of Cook, ss:

AFFIDAVIT

I, Geralyn Delaney, being first duly sworn, do state under oath that the following is true to the best of my knowledge:

1. That I am employed by the Better Government Association, 360 North Michigan, Suite 1118, Chicago, Ill., as a secretary, and have been employed there since April 1, 1974.

2. That on January 6, 1976, at approximately 9:40 a.m., I was present at 1520 West Morse, Chicago, Ill., along with Douglas Longhini, investigator for the Better Government Association, and Patrick Riordan, investigator for the Better Government Association office in Springfield, Ill., when Nemie LaPena and Bill Minor, business manager, both owners of Northside Clinical Laboratory, entered the above-stated premises.

3. That on January 6, 1976, the following conversation took place:

Longhini asked LaPena or Minor to explain how the daily lab sheet functions?

Minor: "Each patient has a test . . . will put patient's name on what kind of panel ordered and check it. The log sheet comes in with blood specimen daily. You make a copy of the daily log sheet and figure how much you have coming by check on the daily log sheet . . . and we can calculate the percentage by the sheet and that is your percentage."

LaPena: ". . . 45 percent we provide you everything. lab test tubes, EKG and from that we give you 45 percent of gross billing. If you have 10–20 percent private we do not charge for private."

Riordan asked then that as he understood it, we put a check mark by the patient's name and add up and take 45 percent of gross and that is what the clinic gets back.

LaPena: "If gross volume is $1,000, then we give you 45 percent of gross billing."

Riordan asked how the payment is made.

Minor: "By check only."

Riordan asked if the payment was weekly.

Minor: "Every Tuesday."

Longhini asked how the check is delivered.

Minor: "Check is delivered on every Tuesday . . . put attention on envelope to person. . . ."

Doug asked if the clinic signs a lease for a certain amount of footage.

Minor: "Much . . . to do that in that manner . . . we justify so no one can question anything."

Riordan asked if a signed lease protects us all?

Minor: "Right."

Doug asked how rent is established?

Minor: "What you do is set price for rent then we are allowed to give gratuitous for drawing of specimen. If you have girl and draw blood for yourself we will pay her salary."

Doug asked if the lab would take up much space in the clinic.

Minor: "Just one small room would be more than sufficient."

LaPena: "Without EKG even hallway would be sufficient."

Riordan asked if the clinic could possibly receive $500 a week for space in the hallway.

Minor: "Right."

Doug stated that the clinic's rent is now $450 a month, and if the clinic grosses $500 a week. . . .

Minor: "You're privileged to charge anything you see fit in this facility. No one can tell you how much to charge."

Riordan stated that we are qualified medical people in this business; have you researched carefully and is there any difficulty in this arrangement.

Minor: "We have been in business 3½ years and haven't had any difficulty. The facilities we deal with are . . . pleased after service. We haven't had any difficulty."

Riordan asked from a tax standpoint can the clinic charge this kickback to business income.

Minor: "Business income? Sure."

Doug asked if this is a rebate.

Minor: "Right."

Doug asked based on volume of business we refer patients to your medical testing lab . . .

Riordan asked that if volume increases will the amount of space increase.

Minor: "No."

LaPena: "Not unless . . . CBC, then we require space. Only possibility requiring more space."

4. That at this point Mike Wallace entered and stated that the rest of the conversation was being recorded for broadcast.

GERALYN DELANEY.

Subscribed and sworn to before me this 20th day of January, 1976. Robert C. Howard, notary public.

AFFIDAVIT OF WILLIAM R. HOOD, INVESTIGATOR, BETTER GOVERNMENT ASSOCIATION

West Lawn Medical Laboratories, 4255 W. 63d St., Chicago

Upon the invitation of Dr. Herbert Meyer, I was present in his professional office at 3430 S. Martin Luther King, Jr., Drive during the afternoon of October 20, 1975. Acting as Dr. Meyer's attorney, I was party to a conversation between him and the president and a salesman for West Lawn Medical Laboratory. The conversation among the four of us lasted from approximately 2:30 p.m. to a little after 3 p.m. I had never seen either of the two men from the medical lab before that day.

Dr. Meyer had been visited by the salesman, Riaz Khan, on several occasions prior. This was the first meeting between Dr. Meyer and Dharat Trivedi, the head of West Lawn. Khan had brought Trivedi around because he wanted to

close a deal with Dr. Meyer whereby the doctor would use West Lawn exclusively for his medical testing.

I was introduced as a replacement for Dr. Meyer's regular attorney, Mel Lewis, who was out of town. Dr. Meyer explained that he had had some trouble in the past and wanted to clear the "arrangement" that was being proposed to avoid any legal or tax problems later.

The arrangement would allow the doctor to get back from the lab 25 to 30 percent of the gross monthly medicaid billings he sent to the lab.

The lab would pay the money back by one of several modes. Trivedi said that some doctors he dealt with leased him a portion of their office space. Others let Trivedi pay all or part of the salary of one of the doctor's regular office personnel. A third suggestion would have the lab lease an office machine or refrigerator from the doctor. The amount paid to the doctor would reflect the amount billed by the doctor for the first 90 days after a verbal agreement was reached.

Trivedi was firm that he would not deal in cash and that he had had people, presumably lawyers, advise him on the setup. He said that most doctors simply leased him space using a standard real estate lease with 30-day cancellation rights on both sides. He also referred to it as a "sublease."

Dharat did say, "I don't want to do anything legally detrimental to either of us." But, he also did not "want too much in written form" except the lease.

Trivedi was interested to know that Meyers presently got nothing back from the lab where he sent work and that Meyers did not use a factoring firm. He got off the point to offer to set Meyers up with his factor. He went through the standard routine how factors got money for you within days. He uses a subsidiary of Main Bank called Health Management Corp. and touted their efficiency. He also referred to a new computerized billing system that had been put in which would speed up payments for the doctor. He added that his factor charged 10 percent but that it was worth it because the State was about 4 months behind on paying labs. He then threw out the suggestion that perhaps they could pay Meyer's factoring charges as their compensation to him.

I asked a question about quality and reputation of West Lawn. Trivedi responded that he was licensed, used to be a pathologist at Mt. Sinai Hospital, and had bought West Lawn recently. The quality and patient benefit seemed secondary to his main pitch—that the doctor would get substantial money back.

Throughout the conversation, the two lab reps reassured Dr. Meyer and me that the proposed arrangement was quite normal and that no one ever questioned it. They proposed issuing checks to the Doctor's professional corporation for the monthly lease amount or to pay the selected employee. It was made clear that no other doctor had ever brought an attorney along to approve the practice.

They claimed that Internal Revenue would be satisfied by the arrangement because they could legitimately claim that the leased space was used to store patient samples waiting for pickup by the law couriers. Alternatively, they said the space could be the area where blood samples were taken; or that samples were stored in a leased refrigerator; or that the employee followed a set of printed instructions provided by the lab for dealing with samples and specimens—said instructions also mandating that the employee assist the doctor in his regular duties unrelated to testing.

Trivedi concluded that: "My personal feeling is that the best way is for us to pay you some rent or pay an employee. It works simplest that way."

I followed Khan and Trivedi outside Meyer's building and talked briefly with them there. They both expressed amazement that Meyers had any doubts about the system they proposed. They said he was the first doctor who had ever raised any legal questions to them. "After all, we are just being fair and sharing our profit with him," said Trivedi.

Appendix 3

LETTERS FROM INDIVIDUALS

ITEM 1. LETTER FROM DR. DENNIS B. DORSEY, PRESIDENT, COLLEGE OF AMERICAN PATHOLOGISTS; TO SENATOR FRANK E. MOSS, DATED FEBRUARY 27, 1976

DEAR MR. CHAIRMAN: The College of American Pathologists is a private nonprofit professional organization, headquartered in Skokie, Ill., and represents some 6,400 physicians, who practice in the specialty of pathology. Our members practice in the hospital setting, in medical schools, in independent medical laboratories, in the various military branches and in the Federal Government.

The College of American Pathologists would like to take this opportunity to express its abhorrence to the illegal practices, including kickbacks, involving the medicare and medicaid programs which were disclosed by your subcommittee during public hearings held February 16, 1976. The College views such practices with great alarm and we wish to state emphatically that the College does not condone in any manner such illegal and unethical practices.

During the February 16 public hearings there was testimony presented which indicated certain medical laboratories were involved in kickback schemes with certain physicians. The names of the individuals involved were not disclosed during the hearings. We would like to request a list of the physicians involved in such practices so the College may have such information to determine if any of those physicians are members of the College and to consider possible action in accordance with our bylaws. Your assistance and cooperation would be appreciated very much.

The College again wishes to commend you for your efforts to root out fraud and abuse where it may exist in the medicare and medicaid programs.

Sincerely,

DENNIS B. DORSEY, M.D.

ITEM 2. LETTER AND ENCLOSURE FROM GERALD J. REILLY, DIRECTOR, DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES, NEW JERSEY DEPARTMENT OF INSTITUTIONS AND AGENCIES; TO VAL HALAMANDARIS, ASSOCIATE COUNSEL, SENATE SPECIAL COMMITTEE ON AGING, DATED MARCH 17, 1976

DEAR MR. HALAMANDARIS: Pursuant to your conversation with Andrew L. Rothman, press secretary to Senator Harrison A. Williams, Jr., and Mr. Rothman's letter of February 25, 1976, please find enclosed herein my statement for inclusion in the record of hearings before the Senate Committee on Aging chaired by Senator Moss.

Thank you for the opportunity of allowing New Jersey to supplement the record which, we feel, does not accurately reflect the state of affairs in the New Jersey medicaid program.

Sincerely yours,

GERALD J. REILLY.

[Enclosure]

STATEMENT

New Jersey has been an innovative leader in the area of investigating, uncovering, and correcting fraud and abuse patterns of clinical laboratories participating in the New Jersey medicaid program. Commencing more than 1 year ago, the Division of Medical Assistance and Health Services, in cooperation with the State Commission of Investigations (SCI) and the State Department of Health, began a probe of New Jersey clinical laboratories participating in its medicaid program. The probe culminated in public hearings on June 24, 25, and 26, 1975.

As a direct result of New Jersey's efforts, five clinical laboratories were suspended from the medicaid program and appropriate cases were referred to the Attorney General's Office for possible criminal prosecution.

Significant modifications were made to medicaid regulations governing clinical laboratories, which include: (1) The express prohibition of rebates or kickbacks of whatever nature; (2) the prohibition against multiple billing for automated testing procedures, e.g., the SMA–12; (3) the limitation that medicaid reimbursement shall be limited to the lowest charge made by a referred laboratory to the referring laboratory or physician; (4) the requirement that all claims be itemized; (5) that all claims indicate whether a specimen was referred to another laboratory, the name of the other laboratory, and the charge for the service by said laboratory.

Over $350,000 was withheld from payment to laboratories which, in the opinion of the division, were engaged in abusive practices.

Laboratory fees were reduced by 40 percent.

A laboratory committee consisting of knowledgeable persons throughout the State was convened to revise laboratory procedure codes and reimbursement.

Laboratory claims processing staff attended special seminars conducted by a medical doctor for the purpose of reviewing both the technical as well as medical aspects of the laboratory claims processing procedure.

A computerized system is currently being developed for the purpose of analyzing and screening group tests, and should be operational in the near future.

An analysis of laboratory billing was recently conducted and claims were compared for an 8-month period prior to June 1975 (SCI public hearings) with claims submitted for an 8-month period subsequent to June 1975. For the period October 1974 through May 1975, a monthly average of 17,966 claims were submitted at an average payment per claim of $15.52. For the period June 1975 through January 1976, a monthly average of 16,915 claims were submitted at an average payment per claim of $8.27. The total volume of claims for the pre-June 1975 period, as compared to the post-June 1975 period, showed a 5.8-percent decrease in total volume. Payment per claim decreased 46.7 percent. When these figures are annualized for calendar year 1976, a $1,400,000 savings is projected. The modest 5.8-percent decrease in claims volume suggests that essential services are being provided despite a substantial fee reduction. Part of the 5.8 percent could also be attributed to the elimination of some overutilization that may have existed. Considering the fact that fees were reduced by 40 percent, a 46.7-percent decrease in the payments would suggest that the above-stated program modifications together with the deterrent effect of the SCI hearings resulted in a significant 6.7-percent decrease in payments.

For the reasons above stated, it is obvious that we in New Jersey find it disturbing to be lumped together with States where serious and widespread abuses allegedly still exist. Consequently, we ask that the record be made clear that the subcommittee investigators did not uncover a "continuing" and abusive situation in New Jersey. The fact is, our work in this area had been substantially completed at a time when many other States had just begun their efforts.

ITEM 3. LETTER AND ENCLOSURES FROM ANTHONY G. DICKSON, COUNSEL, COMMISSION OF INVESTIGATION, STATE OF NEW JERSEY; TO VAL HALAMANDARIS, ASSOCIATE COUNSEL, SENATE SPECIAL COMMITTEE ON AGING, DATED FEBRUARY 17, 1976

DEAR MR. HALAMANDARIS: I have had an opportunity to review pages 33 and 34 of the committee print of the staff report on fraud and abuses among clinical laboratories which was prepared for the Special Committee on Aging of the U.S. Senate. I am submitting some information and documents which you may want to consider in connection with statements appearing on these pages.

Document 1 consists of a letter to the *Newark Star Ledger* newspaper from Leon S. Wolk, attorney at law, concerning certain statements made by his client, Saul Fuchs, of Physicians Lab Service, Inc., during the public hearings held by the State Commission of Investigation on June 24, 1975. In it, Mr. Wolk contends that his client only remitted a 30 percent payment "for services" to the Chestnut Hill Convalescent Center. Document 2 consists of a letter dated July 3, 1975, which was directed to Mr. Joseph Rodriguez, chairman of the State Commission of Investigation, by Mr. Harvey Adelsberg, executive director of the Daughters of Miriam Center for the Aged, Clifton, N.J. Mr. Adelsberg contends that there was no type of rebate arrangement made with Mr. Fuchs. He claims

that the Daughters of Miriam Center for the Aged did not "get anything in return for the services Mr. Fuchs renders to our institution." Document 3 is a letter, dated July 22, 1975, addressed to the New Jersey State Commission of Investigation, by Kevin G. Conway, attorney for Hoffmann, La Roche, Inc., concerning the employment by Roche Clinical Laboratory of a phlebotomist on the premises of the Newark Family Health Center.

I would also indicate to you our understanding, which I believe is borne out by the public session testimony of Mr. Fuchs at page 148 through 152 that the gentleman involved in the ownership and management of the International Pharmacy was also involved in the ownership and management of the Park Medico Clinic which was located across the street from the pharmacy in Paterson, N.J. At least part of the moneys flowing from Physicians Laboratory Service, Inc. (Mr. Saul Fuchs) to International Drugs represented payment in connection with the referral of specimens from Park Medico to Physicians Laboratory Service, Inc.

I would like to compliment you and your staff on the fine investigative efforts in the clinical laboratory field. The State Commission of Investigation was happy to be of assistance to you. As you know, we have not yet issued a final report on the New Jersey medicaid program. If we can be of further assistance to you, please do not hesitate to contact us.

Thank you again for giving us the opportunity to appear before your special committee.

Very truly yours,

ANTHONY G. DICKSON, *Counsel.*

[Enclosures]

LAW OFFICES OF LEON S. WOLK,
Fort Lee, N.J., June 27, 1975.

S. I. NEWHOUSE, Publisher,
The Star-Ledger,
Star-Ledger Plaza,
Newark, N.J.

DEAR SIR: I represent Saul Fuchs and Physicians Lab Service, Inc. Mr. Fuchs testified at a public hearing of the State Crime Investigation Commission on June 24, 1975, which testimony was erroneously reported in the *Star-Ledger* by your reporter, Daniel Hayes, in the June 25, 1975, edition.

I am formally demanding the publication of a retraction and clarification of so much of that article as refers to Saul Fuchs' testimony. Mr. Fuchs' testimony, in general, was not accurately stated in the article and specifically he never testified to giving 30 percent of billings for services rendered to the following Nursing Homes: Daughters of Miriam and Hartwyck Nursing Home. Mr. Fuchs' testimony with reference to the 30 percent payment for services was limited to the Chestnut Hill Convalescent Center.

This demand for clarification and retraction is made on behalf of Saul Fuchs and Physicians Lab Service, Inc., as well as the aforesaid Nursing Homes.

Yours very truly,

LEON S. WOLK.

DOCUMENT 2

DAUGHTERS OF MIRIAM CENTER FOR THE AGED,
Clifton, N.J., July 3, 1975.

Mr. JOSEPH RODRIGUEZ,
Chairman, State Commission on Investigation,
28 West State St.,
Trenton, N.J.

DEAR MR. RODRIGUEZ: The testimony of Mr. Saul Fuchs, laboratory director of Physicians Laboratory Services, Passaic, has come to my attention through an article that appeared in the *Star-Ledger* on Wednesday, June 25, 1975.

In Mr. Fuchs' testimony to the commission on Tuesday, June 24, it is alleged that he stated that he did testing for nursing homes as well as doctors and that he billed them directly for medicaid work and "they got 30 percent."

Daughters of Miriam is one of the facilities to whom Mr. Fuchs provides services. As the executive director of the Daughters of Miriam, I would like to state that our records are open to inspection. We have never made any kind of arrangement with him. We will not be a party to any kind of rebate arrangement and we never have been. We do not get anything in return for the services Mr. Fuchs renders to our Institution.

The Daughters of Miriam is a nonprofit institution that has been in existence for over 54 years and we have always respected the requirements of regulatory agencies, including the regulations of medicare and medicaid.

Attached to this letter you will find a statement from Mr. Fuchs' attorney confirming the above.

I would greatly appreciate it if my letter and the attachment would be read into the official record of your commission.

May I hear from you? Thank you.

Yours sincerely,

HARVEY ADELSBERG, *Executive Director.*

DOCUMENT 3

HOFFMANN-LA ROCHE INC.
Nutley, N.J., July 22, 1975.

Re Investigation of New Jersey's Program of Medical Assistance and Health Services: Public Hearings 6/23/75–6/26/75.

NEW JERSEY STATE COMMISSION OF INVESTIGATION,
28 West State Street, Tenth Floor,
Trenton, N.J.

GENTLEMEN: On June 26, 1975, Mr. James Dimitrion, supervisor of the Fair Lawn Clinical Laboratory, appeared before you and testified that a female working at the Newark Family Health Center was affiliated with Roche Clinical Laboratories (3T31–3T32)*.

The management of Roche Clinical Laboratories has advised me that a Ms. Maria Ortiz was hired by Roche Clinical Laboratories on October 21, 1974. Ms. Ortiz was employed as a phlebotomist for the purpose of drawing blood and preparing patient specimens at the Newark Family Health Center for transmission to Roche Clinical Laboratories for testing and analysis. Ms. Ortiz's employment with Roche Clinical Laboratories and her assignment at the Newark Family Health Center were arranged by Mr. Robert Kupchak, a former Roche employee who was employed as the Sales Coordinator at Roche Clinical Laboratories during October of 1974.

Mr. Murray Blaivas, General Manager of the Roche Clinical Laboratories Division, first became aware of Ms. Ortiz's employment and assignment after Mr. Dimitrion testified on June 26, 1975. Mr. Blaivas reviewed this situation, determined that the amount of blood drawing and specimen collection being performed at this account did not warrant the assignment of a full-time phlebotomist and eliminated this position effective July 4, 1975.

The management of Roche Clinical Laboratories has advised me that no sum of money was ever rebated to the Newark Family Health Center and that no discounts were ever given to this medical group.

Mr. Blaivas and I would be pleased to meet with you at your convenience in the event you wish to discuss this matter further. As in the past, you may be assured of our continuing cooperation during the course of your investigation.

Kindest regards,

KEVIN G. CONWAY, *Attorney.*

*3T31–3T32—Transcript of public hearing of the State Commission of Investigation June 26, 1975, volume III, pages 31–32.

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