

## CORPORATE COMPLIANCE ALERT

3/11/14

### Record Settlement Reached in Halifax Health Physician Kickback Case — Hospital Agrees to Pay Out \$85 Million

Halifax Health (Halifax), a hospital system based in Daytona Beach, Florida, filed a final settlement agreement on March 10, 2014, in a whistleblower lawsuit originally filed in 2009. Halifax will pay a record-setting penalty of \$83 million for its violations of federal anti-kickback laws. The suit, bifurcated by the trial judge due to the complexity of the case, revolved around more than a decade of illegal kickbacks to a group of six cancer doctors and three neurologists in violation of the Stark Law. The second part of the case, not included in the settlement and scheduled for trial in July of 2014, will focus on allegations that the hospital made a practice of admitting patients for short-term stays who did not actually require inpatient care – and then billing Medicare and Medicaid for the cost of the admissions.

The agreement between Halifax and the U.S. Department of Justice, which intervened in the Stark Law portion of the case in 2011, was reached just as the case was set to go to trial. The Justice Department originally sought more than \$500 million from Halifax for the violations. The terms of the agreement require that Halifax pay \$85 million in penalties to the Justice Department within the next 10 days, in addition to attorneys' fees. Halifax has also agreed to operate under a corporate-integrity agreement for the next five years, the terms of which include federal oversight of all physician contracts.

Prior to the Halifax settlement, Tuomey Healthcare systems of South Carolina paid the largest amount for Stark violations with a penalty of \$39.3 million.

The intervention by the Justice Department in the Halifax case serves to further demonstrate the seriousness with which the federal government has been pursuing health care fraud. The Department's aggressiveness on this front led to the record-breaking recovery of \$4.3 billion in the last fiscal year. Monetary penalties such as that agreed to in the Halifax case should compel all health care providers to closely examine existing compliance programs for any areas of weakness or vulnerability.

Roetzel's white-collar litigation and corporate compliance attorneys are available to assist you with any questions regarding the establishment of a corporate compliance program. Please contact the following Roetzel attorneys for further information:

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