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DOJ Intervenes in FCA Lawsuit Against Hospital, CEO Over M.D. Compensation

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The Department of Justice has partially intervened in a whistleblower lawsuit against Wheeling Hospital in West Virginia, its CEO and a consulting firm that alleges they overpaid employed and independent contractor physicians because their referrals were a valuable commodity.

The allegations are familiar: Some physicians were offered employment contracts that were above fair market value, which turned their practices into money losers, but the hospital more than made up for the losses with the physicians' referrals. In the mix is the hospital's CEO, Ronald Violi, who is also co-owner of R&V Associates, a crisis management and turnaround company that allegedly helped orchestrate the physician contracts.

A spokeswoman for Wheeling Hospital vehemently denied the allegations and said the "baseless claims" will be "defended against."

The whistleblower lawsuit was filed by Louis Longo, former executive vice president of Wheeling Hospital, who said in the complaint that he was heir apparent to the CEO. Longo contends that Wheeling Hospital was in severe financial distress in the early 2000s. In 2005, it hired R&V Associates, and Violi became CEO in 2006.

A transformation occurred, turning the hospital into an "extremely profitable venture," the complaint said. While Wheeling Hospital lost about \$6.5 million in fiscal year (FY) 2005, in fiscal years 2014, 2015 and 2016, it earned a total profit of \$100 million. "However, several of the arrangements that drove this newfound excessive profitability were illegal," the complaint alleged. Mainly, the hospital entered into physician contracts that were above fair market value and/or not commercially reasonable to gain the physicians' referrals, and they continued "despite warnings from Relator that such payments were a compliance concern," the complaint alleged.

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