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MedStar Settles FCA Allegations for \$35M Over Stark, Cardiac Stents

By Nina Youngstrom

MedStar Health Inc. in Columbia, Maryland, and two of its hospitals agreed to pay \$35 million to settle false claims allegations over kickbacks for patient referrals and medically unnecessary cardiac stents, the Department of Justice (DOJ) and the U.S. Attorney's Office for the District of Maryland said March 21. Two separate whistleblower lawsuits filed by patients and physicians set the case in motion.

The alleged violations grew out of the relationship between the two hospitals—MedStar Union Memorial Hospital and MedStar Franklin Square Medical Center in Baltimore—and MidAtlantic Cardiovascular Associates (MAC) in Pikesville, Maryland.

According to the settlement, MAC was the dominant cardiology group in the Baltimore area in the early and mid-2000s, employing general and interventional cardiologists and cardiovascular surgeons. Some of them had ownership interests in MAC, and its business plan required MAC to refer patients to other MAC physicians.

At the same time, in its desire to increase referrals for cardiology procedures, MedStar and the two hospitals “sought to expand their relationship with MAC and MAC cardiologists,” the settlement states. DOJ alleges in early 2006, MedStar and MAC negotiated contracts for clinical, administrative and coverage that created new positions and filled existing positions. All of them went to MAC physicians, the settlement said. As a result, 16 contracts were executed in the fall of 2006 and in 2007:

1. Cardiology clinical administrative services agreement
2. Cardiovascular research clinical administrative services agreement
3. Women's cardiac services clinical administrative agreement
4. Letter agreement regarding women's cardiac services
5. Cardiac catheterization laboratories clinical administrative services agreement
6. Franklin Square Hospital Center cardiac catheterization laboratories coverage agreement
7. Union Memorial Hospital cardiac catheterization laboratories coverage agreement
8. Echocardiography services clinical administrative services agreement
9. Electrophysiology laboratory clinical administrative services agreement
10. Professional education agreement
11. Cardiac evaluation unit services clinical administrative services agreement
12. Charity care services agreement

13. Cardiology management services master agreement
14. Union memorial hospital emergency department coverage agreement
15. Professional echocardiogram, electrocardiogram and stress test procedures agreement
16. Services agreement regarding nurse practitioners and physician's assistant

Under these contracts, MedStar allegedly paid compensation to MAC and its physicians that was above fair-market value for the services performed in exchange for referrals for cardiac procedures, according to DOJ. In some cases, physicians allegedly received payment for services that weren't performed.

The MedStar hospitals then billed Medicare for services, including designated health services under the Stark Law, that were referred by physicians who had a financial relationship with MedStar and/or with whom "defendants had remunerative arrangements that violated the Anti-Kickback Statute" from Jan. 1, 2006, through July 31, 2011, DOJ alleged.

These allegations were brought in the whistleblower lawsuit filed by three cardiac surgeons from another Baltimore practice, Cardiac Surgery Associates. The second whistleblower lawsuit was filed by former patients of John Wang, M.D., a MedStar cardiologist who was previously employed by MAC, DOJ said. The settlement also resolves allegations that Wang, MedStar and Union Memorial "engaged in a pattern and practice of performing medically unnecessary percutaneous transluminal coronary angioplasty with stent placement procedures and submitted false claims to Medicare for those cardiac stent procedures."

MedStar did not admit liability in the settlement. In a statement, the health system said "MedStar Health and two of its hospitals, MedStar Union Memorial Hospital and MedStar Franklin Square Medical Center, have entered into a civil settlement agreement with the U.S. Department of Justice, resolving two court cases that involve alleged conduct dating back over 10 years ago. While we deny all wrongdoing, we fully cooperated with the government's investigation of these matters and ultimately determined that it was best to settle these matters in order to avoid protracted and distracting litigation. Importantly, the two cases have been settled without any findings of liability. MedStar has full confidence in our quality assurance and compliance programs, and we remain fully focused on advancing our patient care mission."

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