

Members for Church Accountability Newsletter

Summer 2016

This newsletter reviews “Insurance Fraud” perpetrated by Park Ridge Hospital in Hendersonville, North Carolina, owned by Adventist Health System Sunbelt Healthcare Corporation that owns 43 other hospitals in 10 states. Excerpts are taken from an article by Bill Moss published in the Hendersonville Lightning.

In September 2015 the corporate owner of Park Ridge Health agreed to pay a \$115 million fine for filing false or inflated insurance claims and paying kickbacks to physicians for hospital referrals in violation of state and federal law. In exchange for an agreement by U.S. and state prosecutors to drop further civil actions arising from alleged false claims, inflated bills and kickbacks to referring physicians in four states.

The case was first filed in December 2012 by three whistleblowers, who were Park Ridge employees of long standing: Michael Payne, a risk manager; Melissa Church, executive director of physician service; and Gloria Pryor, a compliance officer. The three employees filed the complaint under the federal False Claims Act. In 2013, Sherry Dorsey, a corporate vice president of the Adventist Health System, filed a second whistleblower lawsuit under the federal False Claims Act.

In their original complaint, Payne, Church and Pryor alleged that Adventist Health System (AHS) knowingly defrauded the U.S. government and the states of North Carolina, Florida, Tennessee, Georgia, Texas and Illinois in connection with Medicare, Medicaid and other federal health insurance programs by engaging in “a scheme to pay improper compensation to physicians to induce them to illegally refer patients” to its hospitals for inpatient and other services.

Park Ridge spokeswoman Victoria Dunkle referred questions to Adventist Health System's communications office. Officials there did not respond to a request for an interview or written response.

In the early 1990s AHS “initiated an aggressive strategy” in which it encouraged Adventist Health Systems hospitals to buy as many physician practices as they could in order to control referrals for both inpatient and outpatient services. To sweeten the deal, the employees said, AHS hospitals paid physicians with “excessive compensation, perks and benefits.” Hospital executives turned a blind eye to this “upcoding and overbilling,” the Park Ridge employees said, because to stop the arrangement would strain relations with physicians and reduce the hospital’s revenue.

The hospital’s practice of channeling Medicare “Part A” payments to doctors concerned Chief Financial Officer (CFO) Karsten Randolph to the point that he confided in Church that he was “worried about going to jail,” However, Randolph also said that he had “no intention of reporting the issue to CMS (federal Centers for Medicare and Medicaid Services) because the amount of money due to the government would be ‘insane.’”

The payments went on despite warnings from within and from the home office that the "part A" payments were improper. Brian Stiltz, a senior vice president of physician enterprise at AHS, told Park Ridge administrators in August 2012 that the Part A payments "had to stop because it was a clear violation of the Stark Act," Even as they began to heed the warnings, Park Ridge executives devised other payment schemes to continue rewarding the highest producing referrers.

When Pryor, whose job was to monitor adherence to health care regulations, warned Park Ridge's Compliance Committee that "billing issues abound," higher-ups brushed her off as too "compliance conservative" and urged her to leave the matter alone.

By the fall of 2012, the geriatrics unit collapsed under the weight of the fraud, the complaint asserted. **In September, Church, in a meeting with Park Ridge Chief Executive Officer (CEO) James Bunch, CFO Randolph, and Vice President Jason Wells, "fully explained numerous issues plaguing the geriatrics practice."** Instead of fixing it, the administrators decided to shut down the unit, the whistleblowers said, reasoning that the problems were too great, an audit was too risky and the unit was generating too little revenue to cover the salaries of the overpaid physicians.

It is clear that the highest levels of administration were, not only informed, but were architects of the fraud. Although \$115 Million is a sizable fine, it pales in comparison to the "insane" amount of money due to the government from a scheme dating from the 1990's. Park Ridge was only one of many AHS hospitals in four states involved fraudulent practices. The "insane" amount of money due to the government is undoubtedly unfathomable.

The settlement was signed by prosecutors with the U.S. Justice Department and North Carolina and Florida attorney general offices, the inspector general office of the U.S. Department of Health and Human Services, state regulators, Adventist attorneys, and the whistleblowers and their attorneys.

According to the settlement agreement, a month after the first whistleblower case was filed, Adventist disclosed to the U.S. Justice Department that it had submitted Medicare claims "that were potentially in violation of federal law." The hospital chain subsequently disclosed that it had submitted claims based on illegal referrals at hospitals in North Carolina, Florida, Tennessee and Texas.

Adventist Health System also agreed to pay \$3.7 million to the four states that were party to the agreement.

The settlement agreement is "the largest of a Stark case involving a hospital chain," said Peter Chatfield, the attorney for the Park Ridge whistleblowers. Payne, Church and Pryor, he added, "for years tried

to get these things corrected without much success."

The defendants also will be required to pay attorney fees, which will be a sum above the \$118.7 million Adventist Health System has already agreed to pay.

The article in its entirety is posted on the MCA web site:

www.advmca.org

This article raises a number of questions:

1. How could administrators of an Adventist institution tolerate fraud over a period of years despite internal calls for reform?
2. What disciplinary action was taken against James Bunch, President and CEO, Karsten Randolph, CFO, and Jason Wells, Vice President?
3. Are these administrators still employed by Park Ridge?
4. If not, are these administrators employed by another institution in the Adventist Health System?
5. Did the increase in the revenue stream by fraudulent activity result in increases in salary or bonuses for these hospital administrators?
6. Did the increase in the revenue stream by fraudulent activity result in an increase in flow of funds from Park Ridge Health to Adventist Health System Sunbelt Healthcare Corporation?

George M. Grames
Secretary-Treasurer
MCA, Inc.
advmca@aol.com