Boston Scientific, Guidant LLC, Guidant Sales LLC, Cardiac Pacemakers Inc.

The Violation: False Claims Act

The Facts

- Guidant makes medical devices including implantable defibrillators, which are implanted in the chests of patients at risk of cardiac arrest. When the device detects an irregular heartbeat, it sends an electrical pulse to the heart to "shock" it back to its normal rhythm. According to the government's complaint, two lines of implantable cardiac devices manufactured and sold by Guidant contained a defect that causes the device to short circuit, rendering it ineffective.

- DOJ alleged that Guidant knew as early as 2002 that its Prizm device was defective and as early as 2003 that its Renewal 1 and 2 devices were similarly defective.

- Despite that knowledge and corrective action taken by Guidant to correct the problem, Guidant continued to sell its remaining stock of the old devices. The government also alleges that Guidant took steps to hide the problem from patients, doctors and the US Food and Drug Administration (FDA). Guidant did not fully disclose the problem until May 2005, when a New York Times reporter contacted the company. Following a front-page article in the Times about the defects, Guidant recalled the devices.

The Damages

- Boston Scientific Corp and its subsidiaries (Guidant LLC, Guidant Sales LLC and Cardiac Pacemakers Inc.) agreed to pay $30 million to settle allegations that Guidant knowingly sold defective heart devices to health care facilities that implanted the devices into Medicare patients.

- The settlement resolves a lawsuit filed under the qui tam provisions of the False claims Act, which the government joined in 2011. In 2010, Guidant pleaded guilty to criminal charges of misleading the FDA about the devices.

- Jan 2014

RPM International and Tremco

The Violation: False Claims Act

The Facts

- Between 2002 and 2011, Tremco Inc. (a subsidiary of RPM International, a manufacturer of construction products and services) allegedly filed false claims related to two multiple-award schedule (MAS) contracts with the General Services Administration (GSA).
- According to the Department of Justice, the company failed to provide the government with the same price discounts given to non-federal government customers for the purchase of roofing supplies and services.
- As a result, Tremco violated its contractual obligation to provide GSA with current, accurate and complete information about its commercial sales practices.

The Damages

- Tremco Inc. and its parent company RPM International Inc. entered into a settlement with the US Department of Justice to resolve allegations that Tremco filed false claims to the US government.
- The companies paid $60.9 million as part of the settlement to resolve the qui tam (or whistleblower) lawsuit brought by former Tremco vice president Gregory Rudolph. Although the DOJ settlement resolves the qui tam lawsuit, it does not resolve state actions in more than 10 states.
- Jul 2013

Shands Healthcare

The Violation: Healthcare Fraud (False Claims Act)

The Facts

- From 2003 to 2008, six Florida-based hospitals known collectively as Shands Healthcare knowingly submitted inpatient claims to Medicare, Medicaid and TRICARE for certain services and procedures that Shands Healthcare knew were correctly billable only as outpatient services or procedures.

- As a result, the companies violated the federal False Claims Act and the Florida False Claims Act.

The Damages

- Shands Healthcare agreed to pay a total of $26 million to settle allegations that six of its health care facilities submitted false claims to Medicare, Medicaid and other federal health care programs. The six hospitals were named as defendants in a qui tam, or whistleblower, lawsuit brought under the False Claims Act by Terry Myers, the president of YPRO Corp., a healthcare consulting group.

- The investigation and successful prosecution of Shands brings the total recovery of $10.8 billion since 2009 in False Claims Act cases related to fraud against federal health care programs.

- Jul 2013

St. Joseph's Medical Center

The Violation: False Claims Act

The Facts

- St. Joseph's Medical Center is a hospital in Towson, Maryland. From 2007-2009, the hospital admitted patients unnecessarily.
- The hospital disclosed that it admitted patients for short stays, typically one or two days, that were not warranted by the patient's condition and that generated larger reimbursements than were proper for each patient.
- Since many of the patients were beneficiaries of Medicare, Medicaid and other federal healthcare programs, St. Joseph's submission of claims for unnecessary services violated the False Claims Act.

The Damages

- St. Joseph's reached a settlement with the US government to pay $4.9 million to resolve the hospital's civil liability under the False Claims Act.
  - Jan 2013

CH2M Hill

The Violation: Time Card Fraud

The Facts

- The US Department of Justice has intervened in a False Claims Act lawsuit brought by a whistleblower against CH2M Hill Hanford Group Inc. (CH2M Hill), a subsidiary of the global engineering and construction services company CH2M Hill Companies Ltd.

- The company was a prime contractor to the US Department of Energy, responsible for the management and cleanup of radioactive and hazardous waste at the DOE's Hanford Nuclear Site in Washington State.

- The lawsuit alleges that numerous hourly employees of CH2M Hill regularly and substantially overstated the number of hours they worked, that the company knowingly condoned the practice, and that the company then submitted inflated claims including the fraudulently claimed hours to the DOE.

The Damages

- DOJ's intervention in the lawsuit puts the resources of the US government into the prosecution of the defendants. Already, 8 former employees of CH2M Hill, including the whistleblower, have pleaded guilty to felony charges stemming from the time-care fraud. Settlements of False Claims Act charges have returned billions of dollars to the US treasury in the past decade.

- Oct 2012

ReadyOne Industries

The Violation: False Claims Act

The Facts

- ReadyOne Industries, formerly known as the National Center for Employment of the Disabled (NCED), is a participant in the AbilityOne® Program, which creates employment opportunities for people who are blind or have other significant disabilities.
- The company uses the purchasing power of the federal government to buy approved products and services from participating, community-based nonprofit agencies to manufacture apparel, boxes and other products.
- The company must certify that 75% of all annual direct labor hours is performed by employees who are blind or severely disabled. According to the US DOJ, ReadyOne employed non-disabled employees to work on contracts, failed to appropriately account for the hours of those employees and falsely certified compliance with the annual direct labor requirements. As a result, the company submitted false certifications to the program, violating the False Claims Act.

The Damages

- ReadyOne entered into an agreement with the US Department of Justice to resolve allegations that it violated the False Claims Act, agreeing to pay $5 million.
  - Oct 2012