Department of Justice

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LIFE CARE CENTERS OF AMERICA, INC. AGREES TO PAY $145 MILLION TO RESOLVE FALSE CLAIMS ACT ALLEGATIONS RELATING TO THE PROVISION OF MEDICALLY UNNECESSARY REHABILITATION CARE

KNOXVILLE, Tenn. – Cleveland, Tennessee-based Life Care Centers of America, Inc. (Life Care) and its owner, Forrest L. Preston, have agreed to pay $145 million to resolve a government lawsuit alleging that Life Care violated the False Claims Act by knowingly causing skilled nursing facilities (SNFs) to submit false claims to Medicare and TRICARE for rehabilitation therapy services that were not reasonable, necessary, and/or skilled, the Department of Justice announced today. This resolution is the largest settlement with a skilled nursing facility chain in the Department's history, and the largest civil False Claims Act settlement in the Eastern District of Tennessee.

As part of this settlement, Life Care has also been required to enter into a five year chain-wide Corporate Integrity Agreement with the U.S. Department of Health and Human Services Office of Inspector General (HHS-OIG). Life Care owns and operates more than 220 skilled nursing facilities across the country.

"Billing federal healthcare programs for medically unnecessary rehabilitation services not only undermines the viability of those programs, it exploits our most vulnerable citizens," said Nancy Stallard Harr, U.S. Attorney for the Eastern District of Tennessee. "We are committed to working with our federal partners to protect both."

The settlement, which was based on the company's ability to pay, resolves allegations that between January 1, 2006 and February 1, 2013, Life Care submitted false claims for rehabilitation therapy by engaging in a systematic effort to increase its Medicare and TRICARE billings. Specifically, Life Care instituted corporate-wide policies and practices designed to place as many beneficiaries in the highest reimbursement category for therapy irrespective of the clinical needs of the patients, resulting in the provision of unreasonable and unnecessary therapy to many beneficiaries. Life Care also sought to keep patients longer than was necessary in order to continue billing for rehabilitation therapy, even after the treating therapists felt that therapy should be discontinued. Life Care carefully tracked the minutes of therapy provided to each patient and number of days in therapy to ensure that as many patients as possible were at the highest level of reimbursement for the longest possible period. The settlement also resolves allegations, brought in a separate lawsuit by the United States, that Forrest L. Preston, as the sole shareholder of Life Care, was unjustly enriched by Life Care's fraudulent scheme.

“This resolution is the largest settlement with a skilled nursing facility chain in the Department’s history,” said Principal Deputy Assistant Attorney General Benjamin C. Mizer, head of the Justice Department’s Civil Division. “It is critically important that we protect the integrity of government health care programs by ensuring that services are provided based on clinical rather than financial considerations.”

“The resolution announced today demonstrates the commitment of the U.S. Attorney’s Office to aggressively pursue providers who utilize fraudulent practices to knowingly put their own financial self-interest over a duty to patients,” said U.S. Attorney Wifredo A. Ferrer of the Southern District of Florida. “It is imperative that providers make healthcare decisions based upon a patient’s need for services rather than a self-serving desire to maximize financial profit. Our office will continue to investigate fraud allegations, in order to ensure that providers do not compromise the integrity of our public health care programs.”

“Therapy provided in skilled nursing facilities must be medically reasonable and necessary for the individual patient, and we will continue to vigorously investigate companies to prevent fraud and abuse,” said Inspector General Daniel R. Levinson for the U.S. Department of Health and Human Services. “The corporate integrity agreement with Life Care is designed to ensure that Life Care’s provision of therapy services in the future will be determined by the needs of its patients.”

U.S. Attorney Harr noted that the settlement with Life Care resolves allegations originally brought in lawsuits filed under the *qui tam*, or whistleblower, provisions of the False Claims Act by Tammie Taylor and Glenda Martin, former employees of Life Care. The act permits private parties to sue on behalf of the government for false claims for government funds and to receive a share of any recovery. The government may intervene and file its own complaint in such a lawsuit, as it has done in this case. The relator share of the recovery in this matter is $29 million.

This settlement illustrates the government’s emphasis on combating health care fraud and marks another achievement for the Health Care Fraud Prevention and Enforcement Action Team (HEAT) initiative, which was announced in May 2009 by the Attorney General and the Secretary of Health and Human Services. The partnership between the two departments has focused efforts to reduce and prevent Medicare and Medicaid financial fraud through enhanced cooperation. One of the most powerful tools in this effort is the False Claims Act. Since January 2009, the Justice Department has recovered a total of more than $31.6 billion through False Claims Act cases, with more than $19.2 billion of that amount recovered in cases involving fraud against federal health care programs. Over the same period of time, the U.S. Attorney’s Office for the Eastern District of Tennessee has recovered more than $90 million through False Claims Act cases, with more than $81 million of that amount recovered in cases involving fraud against federal health care programs.

U.S. Attorney Harr commended and expressed her deep appreciation for the dedication and diligence of the large team that handled this complex and lengthy investigation and litigation, including current and former attorneys, paralegals, investigators and support staff from the Department of Justice’s Civil Division, Commercial Litigation Branch; the U.S. Attorney’s Offices for the Eastern District of Tennessee, the Southern District of Florida, the District of Colorado, the District of Massachusetts, the District of South Carolina, and the District of the District of Columbia; and HHS Office of Inspector General.

The two *qui tam* cases are docketed as *United States ex rel. Taylor v. Life Care Centers of America, Inc.*, No. 1:12-cv-64 (E.D. Tenn) and *United States ex rel. Martin v. Life Care Centers of America, Inc.*, No. 1:08-cv-251 (E.D. Tenn). The case against Forrest L. Preston is captioned *United States v. Preston*, No. 1:16-cv-113 (E.D. Tenn). The claims resolved by the settlement are allegations only; there has been no determination of liability.

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