NEWS RELEASE

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FOR IMMEDIATE RELEASE

Compliance Insider is Key to Reaching $65 Million Whistleblower Settlement with Prime Healthcare

ATLANTA, Georgia – Friday, August 3, 2018 – A federal whistleblower lawsuit against Prime Healthcare Services has settled for $65 Million. Prime is the fifth largest for-profit hospital chain in America, owning over 40 hospitals across the United States, including a recent acquisition in Atlanta, Georgia. The plaintiff-whistleblower, Karin Berntsen, is a registered nurse with more than 20 years of experience in healthcare. She has published books on patient safety. She had held several supervisory positions at a hospital in San Diego, California when in November 2010, the hospital was purchased by Prime Healthcare Services (“Prime”). Ms. Berntsen alleged that Prime immediately put in place unlawful practices and procedures to increase the hospital’s profitability at the expense of the federal Medicare Program. Ms. Berntsen further alleged that Prime knew that Medicare paid more for the same services if delivered on an inpatient basis, so it admitted patients to Prime hospitals that should not have been admitted and overbilled Medicare on a regular basis for years at those hospitals. In 2011, when her efforts to stop these practices failed, Ms. Berntsen filed a lawsuit under the False Claims Act against Prime and its founder, Dr. Prem Reddy, to stop the fraud and recoup the taxpayers’ money. The False Claims Act provides for citizens who see fraud on the federal government to file suit to recover taxpayer funds and to receive a share of those funds as a reward. If there is no recovery, the whistleblower and her lawyers are not paid.

“Karin witnessed Prime and its corporate leaders quickly implement sweeping changes in the hospital where she worked that she knew were unlawful and potentially dangerous to patients. As alleged in our complaint, employees were pressured to admit patients who were not sick enough to be put in the hospital and should have been discharged or placed in “observation” status. Our client was not only willing to step forward and tell the truth – she was willing to wear a recording device.
Because of her courage, the Government obtained damning evidence that supported the facts described in our complaint against Prime and its owner, Dr. Reddy,” explained Marlan Wilbanks, a partner with Wilbanks & Gouinlock, LLP who represents Ms. Berntsen.

The complaint filed by the United States Department of Justice that followed Ms. Berntsen’s complaint details the results of the Department’s extensive investigation. Among the allegations the United States levied against Prime and Dr. Reddy are the following:

- Prime and Dr. Reddy removed “observation” as a treatment option on hospital emergency room forms;
- Prime and Dr. Reddy imposed quotas and goals for admissions of Medicare patients;
- Prime and Dr. Reddy deployed executives to question individual emergency department physicians regarding their decisions to discharge patients rather than admitting them;
- Prime and Dr. Reddy told emergency department physicians that any insured patient that was in the emergency department for more than two hours was expected to be admitted as an inpatient while uninsured patients should be kept in the ER for hours and then discharged;
- Prime, with the knowledge of Dr. Reddy, covertly altered the commonly used criteria for admitting patients into hospitals (published by a third party) to increase inpatient admissions at Prime hospitals.

Both the Government and the whistleblower alleged that Dr. Prem Reddy was personally involved in the fraud perpetrated on the Medicare Program. As explained by Ms. Berntsen, “Dr. Reddy was there at the meetings. He went to the hospitals throughout the system and insisted that the hospitals increase admissions. I saw the pressure that he put on doctors to put people in the hospital, even if they were not sick enough to be there.” She added, “To put people in the hospital who should not be there costs the taxpayers money and exposes patients to hospital infections and illnesses unnecessarily.” In the settlement, Dr. Reddy is required to personally pay to the United States $3.25 million of the $65 million settlement.
Berntsen’s lawyer, Marlan Wilbanks, underscores the significance of Dr. Reddy being personally accountable: “It is significant that the Government is looking for individual culpability at this time. These schemes on the government do not happen without the involvement of powerful individuals who control corporate conduct. I have been involved in billions of dollars of False Claims Act settlements and it is rare in my experience to see the Government require financial contribution from a corporate executive like Dr. Reddy. I hope that the practice of holding individuals financially accountable will continue,” said Wilbanks. Wilbanks notes the irony that while Dr. Reddy is personally paying the USA $3.25 million dollars to resolve allegations of healthcare fraud, he is opening a medical school in California: He is a founder and Chairman of the Board of CUSM School of Medicine in San Bernardino, California which opened July 23, 2018.

**Whistleblower Reward.** In recognition of Ms. Berntsen’s enormous contributions to the successful prosecution and settlement of this case over the last 7 years, the United States Department of Justice has awarded Ms. Berntsen the largest percentage share of settlement proceeds that the federal statute permits, amounting to $17,225,000 (before taxes and attorney fees).

Marlan Wilbanks and his partner, Susan Gouinlock, have worked on this case since 2011 with cocounsel at James Hoyer, PA of Tampa, Florida led by attorney Elaine Stromgren. The Government prosecution was ably led by Department of Justice attorneys from the United State Attorney’s Office for the Central District of California and from the Civil Fraud Section of the Department of Justice in Washington, D.C.

Prime Healthcare and Dr. Reddy were represented by the law firms of Nelson Hardiman in Los Angeles, California and King & Spalding in Atlanta, Georgia.

**Wilbanks & Gouinlock LLP specializes exclusively in whistleblower litigation.**

To learn more about the decades of experience and success achieved by the firm, visit our website at www.wilbanksgouinlock.com.