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## False Claims Act Settlements at Torrid Clip for FY 2015

Just one month into fiscal year ("FY") 2015, the Government already has secured False Claims Act ("FCA") settlements worth approximately half of a billion dollars. At this rate, companies could end up paying almost \$6 billion in FCA settlements this year.

The chart below captures selected False Claims Act settlements for the month of October 2014:

TABLE 1: SAMPLE OCTOBER 2014 FCA SETTLEMENTS

Date	Settlement	Company
October 7	\$13.7M	DRS Technical Services Inc.
October 10	\$38.0M	Extendicare Health Services Inc.
October 10	\$23.0M	Boeing
October 17	\$2.6M	Houston-area diagnostic centers
October 21	\$380k	Kentucky-based cardiologists
October 21	\$1.50M	Science Applications International Corporation (now known as Leidos Holdings, Inc.)
October 22	\$350.0M	DaVita Healthcare Partners, Inc.
October 24	\$10.0M	First RF Corporation
October 28	\$9.0M	Columbia University
October 29	\$1.0M	North Florida Shipyards
October 29	\$6.0M	Biomet companies
October 30	\$37.0M	Dignity Health
<b>Total</b>	<b>\$492.18M</b>	

Unsurprisingly, the largest settlements have come from companies in the health and defense sectors.

Healthcare companies have been taking a particularly hard beating so far this year. On October 10, 2014, Extendicare Health Services agreed to pay the Government \$38 million to resolve allegations that it had billed Medicaid and Medicare for substandard nursing care and Medicare for medically unnecessary rehabilitation therapy. The largest settlement of the month occurred a few weeks later, when, on October 22, 2014, DaVita Healthcare Partners, Inc. agreed to pay the Government \$350 million to resolve allegations that DaVita received kickbacks for referrals to its dialysis clinics. On October 28, the Trustees of

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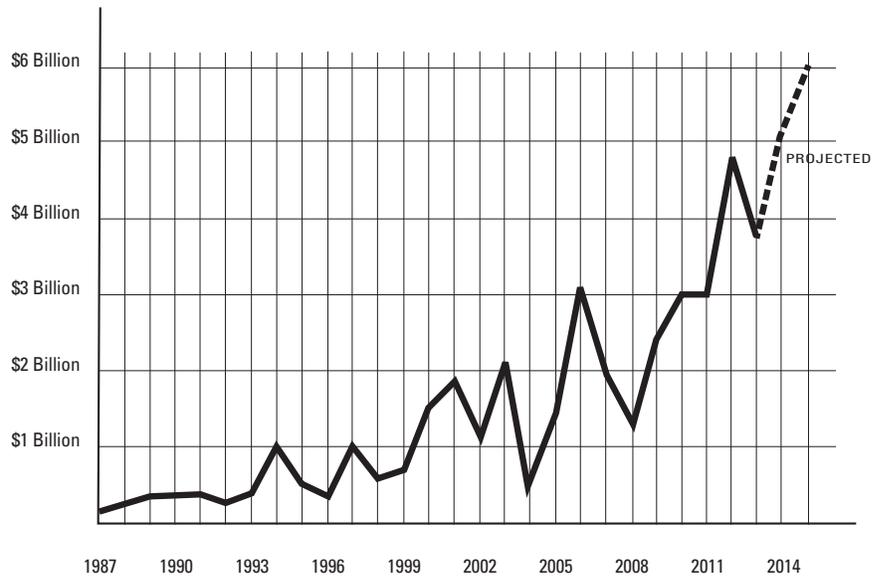
False Claims Act Settlements at Torrid Clip for FY 2015

Columbia University (“Columbia”) agreed to pay \$9 million to settle a lawsuit alleging that Columbia violated the False Claims Act by submitting false claims related to grants Columbia received to support its AIDS/HIV research. Finally, on October 30, the Government announced a \$37 million settlement with Dignity Health to resolve allegations that Dignity Health engaged in Medicare billing fraud.

Defense contractors also made news with their share of FCA activity last month. Early in October, DRS Technical Services agreed to pay the Government \$13.7 million to resolve allegations that it overbilled the Army for work in Iraq and Afghanistan and that it overbilled the Coast Guard for aircraft maintenance work. On October 10, the Government announced that Boeing had agreed to pay \$23 million to settle allegations it improperly charged labor costs for work performed on the Air Force’s C-17 transport aircraft. Leidos Holdings, First RF Corporation, and North Florida Shipyards also agreed to settlements in October. Additionally, the Government announced it was intervening in a case alleging that Sikorsky Aircraft Corporation and two of its subsidiaries, Sikorsky Support Services Inc. and Derco Aerospace Inc., had used illegal subcontracts to overcharge the Navy on parts and materials.

There is every reason to believe that annual FCA settlement amounts will continue to rise. A review of Department of Justice (“DoJ”) Civil Division FCA statistics illustrates that annual total settlements

**FRAUD STATISTICS - OVERVIEW**  
TOTAL SETTLEMENTS & PROJECTIONS



SOURCE: DOJ, CIVIL DIVISION

and judgments have skyrocketed since fiscal year 1987. This fiscal year’s projected FCA activity continues this explosive growth trend.

Even if the current pace of FCA settlements decelerates, companies doing business with the federal government—particularly those operating in the health and defense sectors—undoubtedly face greater FCA exposure than ever before.

Companies should manage this risk proactively by reviewing their internal procedures for handling all stages of a fraud-related allegation. An achievable first step is to assess internal compliance and employee training programs to avoid fraud in the first place. Companies should also have a written plan for responding to an allegation of fraud. This plan should identify the responsibilities of company personnel in responding to a fraud allegation, establish a procedure ensuring the proper treatment of whistleblowers, and provide guidance to management on making disclosures to the Government. These preventative measures could prove to be invaluable, particularly if the Government initiates an investigation.