King's Daughters Medical Center to Pay Nearly $41 Million to Resolve Allegations of False Billing for Unnecessary Cardiac Procedures and Kickbacks

U.S. Department of Justice
May 28, 2014

Office of Public Affairs
(202) 514-2007/TDD (202) 514-1888

WASHINGTON—Ashland Hospital Corp. d/b/a King's Daughters Medical Center (KDMC) has agreed to pay $40.9 million to resolve allegations that it submitted false claims to the Medicare and Kentucky Medicaid programs for medically unnecessary coronary stents and diagnostic catheterizations and had prohibited financial relationships with physicians referring patients to the hospital, the Justice Department announced today.

Assistant Attorney General Stuart F. Delery of the Justice Department's Civil Division, U.S. Attorney Kerry Harvey for the Eastern District of Kentucky, and Special Agent in Charge Derrick L. Jackson at the U.S. Department of Health and Human Services Office of Inspector General (HHS-OIG) Kentucky region made the announcement.

"Hospitals that place their financial interests above the well-being of their patients will be held accountable," said Assistant Attorney General Delery. "The Department of Justice will not tolerate those who abuse federal health care programs and put the beneficiaries of these programs at risk by providing medically unnecessary care."

The government alleged that, between 2006 and 2011, KDMC billed for numerous unnecessary coronary stents and diagnostic catheterizations performed by KDMC physicians on Medicare and Medicaid patients who did not need them. The government also alleged that the physicians falsified medical records in order to justify these unnecessary procedures, which allegedly generated millions of dollars in Medicare and Kentucky Medicaid reimbursements for KDMC.

"The conduct alleged in this matter is unacceptable, victimizing both taxpayers and patients," said U.S. Attorney Harvey. "Treatment decisions motivated by financial gain undermine public confidence in our health care system and threaten vital federal programs upon which so many of our citizens rely. We will not relent in our efforts to protect the public from the sort of systematic misconduct alleged in this case."

The settlement also resolves allegations that KDMC violated the Stark Law by paying certain cardiologists salaries that were unreasonably high and in excess of fair market value. The Stark Law is designed to limit the influence of money on physicians' medical decision-making by prohibiting financial relationships between hospitals and referring physicians, unless these relationships meet certain designated exceptions.

In connection with this settlement, KDMC has agreed to enter into a Corporate Integrity Agreement with HHS-OIG, which obligates the hospital to undertake substantial internal compliance reforms and to commit to a third-party review of its claims to federal health care programs for the next five years.

"Medically unnecessary procedures can cause serious health issues, cost the taxpayers millions of dollars each year, and drain the Medicare Trust Fund," said Special Agent in Charge Jackson. "The OIG will continue to protect beneficiaries and hold health care providers accountable for improper claims."

"This type of alleged conduct deceives individuals when they are seeking medical treatment and are vulnerable," said Special Agent in Charge Perrye K. Turner of the FBI's Louisville Field Division. "The level of funds involved in this matter is staggering. This money has been stolen from the patients and the taxpayers."

The Commonwealth of Kentucky will receive approximately $1,018,380, which represents the state's share of the recovered Medicaid funds. The Medicaid program is funded jointly by the federal and state governments.

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)

Louisville Division Links

Louisville Home

Contact Us
- Contact Us
- Territory/Jurisdiction

News and Outreach
- Press Room | Stories
- In Your Community

About Us
- Our People & Capabilities
- What We Investigate
- Our Partnerships
- Louisville History

Wanted by the FBI - Louisville

FBI Jobs

initiative, which was announced in May 2009 by Attorney General Eric Holder and Secretary of Health and Human Services Kathleen Sebelius. 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 $19 billion through False Claims Act cases, with more than $13.4 billion of that amount recovered in cases involving fraud against federal health care programs.

The investigation was conducted by the FBI, the HHS-OIG, the Kentucky Office of Attorney General, Medicaid Fraud and Abuse Control Unit, the Commercial Litigation Branch of the Department of Justice's Civil Division, and the U.S. Attorney's Office for the Eastern District of Kentucky. The claims settled by this agreement are allegations only, and there has been no determination of liability.