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13
14 **IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA**

15 **IN AND FOR THE COUNTY OF SACRAMENTO**

16 STATE OF CALIFORNIA *ex rel.* HUNTER
LABORATORIES, LLC and CHRIS
17 RIEDEL, an individual,
Plaintiff,

18 vs.

19 QUEST DIAGNOSTICS
20 INCORPORATED, a Delaware corporation;
QUEST DIAGNOSTICS CLINICAL
21 LABORATORIES, INC., a Delaware
corporation; QUEST DIAGNOSTICS
22 NICHOLS INSTITUTE, f/k/a QUEST
DIAGNOSTICS, INC., a California
23 corporation; QUEST DIAGNOSTICS
INCORPORATED, a Nevada Corporation;
24 UNILAB CORPORATION, d/b/a/ QUEST
DIAGNOSTICS/UNILAB, a Delaware
25 corporation; SPECIALTY
LABORATORIES, INC., a California
26 corporation; and Does 11 through 100,
inclusive,

27 Defendants.

Case No. CIV 34-2009-00048046

**SIXTH AMENDED COMPLAINT
FOR:**

- (1) **MONEY DAMAGES AND
CIVIL PENALTIES FOR
VIOLATIONS OF
CALIFORNIA FALSE CLAIMS
ACT; AND**
- (2) **COMMON COUNTS**

**REDACTED
PURSUANT TO
COURT ORDER**

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1 Plaintiff STATE OF CALIFORNIA (“California”), and *Qui Tam* Plaintiffs
2 HUNTER LABORATORIES, LLC and CHRIS RIEDEL, allege as follows:

3 **I. INTRODUCTION**

4 1. Over the past 14 years, the Defendants named in this Amended Complaint
5 -- who are all affiliated with Quest, the largest clinical medical laboratory company in
6 California -- have billed and received from California’s Medi-Cal program **over \$726**
7 **million** in taxpayer money. As described in this Complaint, these revenues are the result
8 of a systematic fraud committed by Quest against the State, through which Quest has
9 overcharged the State on 90% of the claims for payment it submitted. Consequently, the
10 State of California, and its taxpayers, are owed the return of over **\$509 million** from the
11 Quest Defendants. Additionally, because Quest’s overcharges violated the California
12 False Claims Act, California is entitled to treble damages, and a penalty of up to \$10,000
13 for every one of Quest’s 42 million overcharges.

14 2. Quest has secretly treated California’s Medi-Cal program as a means of
15 fraudulently padding its profits, disregarding Medi-Cal’s important role as a crucial,
16 taxpayer-funded safety net for Californians unable to afford health care. Intended to
17 provide essential care for Californians in need -- a role that is especially critical during
18 the financial crisis currently facing Californians -- Medi-Cal funds are stretched to their
19 limit. Too many times, Medi-Cal has been subject to fraud and abuse by unscrupulous
20 providers who have put profits above the public good. Funds that have been designated
21 for essential services to the neediest among Californians have been diverted away because
22 of false billing schemes. Those fraudulent schemes have diminished the quality of care,
23 unnecessarily burdened taxpayers, and degraded the medical profession. This case, a
24 prime example of that behavior, is being brought to stop rampant Medi-Cal fraud in the
25 clinical laboratory industry, carried out over a period of years by Quest.

26 3. Quest’s fraud has been knowingly perpetrated against a backdrop of unique,
27 clearly defined law that requires Medi-Cal providers to bill Medi-Cal their *lowest* rates
28 for the same services under comparable circumstances. Instead, these Defendants have

1 habitually billed Medi-Cal some of their *highest* rates, deeply discounting many of their
2 *private* fees to draw in lucrative Medi-Cal and other referrals. As but one example, the
3 most commonly ordered laboratory test is an Automated Hemogram. Quest has charged
4 non-Medi-Cal customers as little as \$1.42 for the test. In violation of California law,
5 Quest has not offered the same discount to Medi-Cal, and instead has regularly charged
6 Medi-Cal -- for the same exact test, conducted by Quest in the same exact way -- at or
7 above the maximum reimbursement rate of \$8.59. As a result, when the customer
8 receiving the discount refers a Medi-Cal patient to Quest for testing, Medi-Cal pays more
9 than five times as much as Quest's other customer pays for the identical service. There is
10 no difference in the circumstances of the tests that justify these different prices or make
11 them incomparable.

12 4. Each one of these charges to Medi-Cal that exceeds a discounted price
13 given to another customer constitutes a violation of the California False Claims Act (Gov.
14 Code §§ 12650 *et seq.*), and a breach of Defendants' contracts with the State of
15 California. The violations are many. Indeed, over the entire 14-year period covered by
16 this Amended Complaint, the Defendants named herein have submitted **over 42 million**
17 **false claims for payment to the State of California**. On average, for each of these false
18 claims, Defendants should only have charged California 32% of what California
19 ultimately paid. In total, Quest has over-billed California by approximately **\$509 million**,
20 when contrasted with Quest's charges to other purchasers for comparable services under
21 comparable circumstances.

22 5. Specific examples of these 42 million false claims are provided below, in
23 Section V, and in **Exhibits H-M**.

24 6. In addition to violating California's low price law, Defendants' discounts,
25 when they are provided to induce the referral of Medi-Cal business, also amount to illegal
26 kickbacks under California law. *See, e.g.*, Bus. & Prof. Code § 650. Specific examples
27 of Medi-Cal business obtained by such kickbacks are provided below in Section VI.

28

1 7. This suit calls Defendants to answer for defrauding California’s taxpayers
2 and compromising the welfare of California’s Medi-Cal beneficiaries.

3 **II. OVERVIEW OF THE SCHEME**

4 8. This is a *qui tam* action for violation of California’s False Claims Act, Gov.
5 Code §§ 12650 *et seq.*, to recover treble damages, civil penalties and attorneys’ fees and
6 costs for Plaintiffs and on behalf of California for fraudulent Medi-Cal billings. Non-
7 public information personally known to CHRIS RIEDEL and his businesses served as the
8 basis for the complaint and amended complaints filed in this case.

9 9. This case was originally filed in San Mateo County Superior Court on
10 November 7, 2005. The case was transferred to Sacramento Superior Court on May 20,
11 2009, and assigned case number CIV 34-2009-00048046.

12 10. As will be discussed in more detail below, Defendants made false claims to
13 Medi-Cal for payment for laboratory tests by submitting claims that were for more than
14 Defendants were entitled to receive under California statutes, and under regulations of the
15 California Department of Health Care Services (“DHCS”) (formerly the California
16 Department of Health Services (“DHS”)), by: submitting claims for which no payment at
17 all was due because the services for which payment was being sought were procured by
18 means of illegal kickbacks, by falsely representing that the fees being claimed were no
19 greater than the Defendants had a right to receive, and by falsely representing that
20 Defendants were entitled to receive fees that were claimed for Medi-Cal business that was
21 procured by means of illegal kickbacks.

22 11. The claims that are the subject of this Complaint were paid by California as
23 a result of its mistaken belief, caused by Defendants’ acts and omissions, that Defendants
24 had a right to receive the full amount of the payments made. Defendants fraudulently
25 concealed the fact that they did not have a right to those payments by means of the false
26 claims and representations described in the preceding paragraph and the rest of this
27 Complaint. California first learned of those false claims and representations on or about
28

1 November 7, 2005, when it was served with a copy of the original complaint in this
2 matter. California pleads an alternate common count theory of recovery.

3 12. Defendants are clinical medical laboratories that perform a variety of lab
4 tests for patients across the state. The lab industry is highly competitive, and through a
5 corps of sales representatives, Defendants actively solicit the referral of business from
6 healthcare providers, such as individual physicians, hospitals, clinics, independent
7 physician associations (“IPAs”), group purchasing organizations (“GPOs”), and health
8 maintenance organizations. These medical providers generally have a choice of medical
9 laboratories to which they can send their patients’ lab tests. The lab tests are ordered by
10 “CPT” (Current Procedure Technology) code, which are standard across the healthcare
11 industry, or by a lab-specific order code. All tests ordered under the same code are
12 performed in the same manner by the lab. Once the lab tests are completed, the
13 laboratory bills various entities for the tests. For some patients’ lab tests, Defendants bill
14 the medical providers who ordered the tests. For many other patients, Defendants bill
15 Medi-Cal, Medicare, patients, or third-party insurers.

16 13. In order to secure the business and referrals of the medical providers,
17 Defendants offer deeply discounted prices, often below cost, for those tests paid for by
18 the medical providers. The medical providers thereby lower their costs, and can increase
19 their profits. In exchange for these discounts, the medical providers refer their Medi-Cal
20 patients (and other patients for whom the providers do not pay) to the same lab. These
21 referrals, obtained in exchange for discounts, are referred to by industry insiders as “pull-
22 through.” As discussed below, these discounts, when they are provided to induce the
23 pull-through of Medi-Cal business, amount to illegal kickbacks under California law. *See*
24 *Bus. & Prof. Code § 650.*

25 14. As mentioned, for those lab tests for which Defendants bill the medical
26 providers, they charge deeply discounted prices. For those lab tests conducted on Medi-
27 Cal patients, however, Defendants bill Medi-Cal, rather than the medical provider. When
28 they do so, they typically bill Medi-Cal the highest amount that they charge any client.

1 This is illegal. The Medi-Cal regulations require Defendants to charge Medi-Cal the
2 lowest price that they offer to others for the same tests under comparable circumstances.
3 *See* 22 Cal. Code Regs. § 51501. Defendants have clandestinely violated California Code
4 of Regulations, title 22, section 51501.

5 15. Specifically, California Code of Regulations, title 22, section 51501,
6 subdivision (a), requires as follows:

7 ***Notwithstanding any other provisions of these regulations,***
8 ***no provider shall charge for any service or any article more***
9 ***than would have been charged for the same service or article***
10 ***to other purchasers of comparable services or articles under***
11 ***comparable circumstances.*** (Emphasis added.)

12 16. That regulation is intended to address “federal and state concerns with dual
13 pricing and the Department’s obligation to see that Medi-Cal is managed economically.”
14 *Physicians & Surgeons Laboratories, Inc. v. Department of Health Services* (1992) 6
15 Cal.App.4th 968, 985. Defendants were free to charge any other purchaser any fee for
16 their services, so long as Medi-Cal obtained the best price available to other purchasers of
17 comparable services under comparable circumstances. All examples of discounted prices
18 in this Amended Complaint were given by Quest for comparable services under
19 comparable circumstances.

20 17. Defendants’ Medi-Cal Provider Agreements also made clear their duty,
21 consistent with the program’s public purposes, to charge their *lowest* fees to California
22 and refrain from conduct that would harm the Medi-Cal program or its beneficiaries.

23 Among other commitments, Defendants agreed to do all of the following:

24 **Compliance with Laws and Regulations.** Provider agrees to
25 comply with all applicable provisions of Chapters 7 and 8 of
26 the Welfare and Institutions Code (commencing with Sections
27 14000 and 14200), and any applicable rules or regulations
28 promulgated by DHS pursuant to these chapters. . . .

Forbidden Conduct. Provider agrees that it shall not engage
in conduct inimical to the public health, morals, welfare and
safety of any Medi-Cal beneficiary, ***or the fiscal integrity of***
the Medi-Cal program. (Emphasis added.)

...

1 **Provider Fraud and Abuse.** Provider agrees that it shall not
2 engage in fraud or abuse.

3 . . .

4 **Prohibition of Rebate, Refund or Discount.** Provider
5 agrees that it shall not offer, give, furnish, or deliver any
6 rebate, refund, commission, preference, patronage dividend,
7 discount, or any other gratuitous consideration, in connection
8 with the rendering of health care services to any Medi-Cal
9 beneficiary. Provider further agrees that it shall not solicit,
10 request, accept, or receive, any rebate, refund, commission,
11 preference, patronage dividend, discount, or any other
12 gratuitous consideration, in connection with the rendering of
13 health care services to any Medi-Cal beneficiary. Provider
14 further agrees that it shall not take any other action or receive
15 any other benefit prohibited by state or federal law.

16 18. In other words, Defendants agreed to **bill Medi-Cal at their lowest rates,**
17 not to give or take ***kickbacks***, and to conduct their business relationship with California
18 with a view to the ***program's public purpose*** and the ***welfare of California's citizens***.

19 19. Defendants have repeatedly defrauded the Medi-Cal program by charging
20 California fees well in excess of those charged to other purchasers under comparable
21 circumstances. Rather than abide by DHCS regulations and their Medi-Cal Provider
22 Agreements, Defendants provided clinical laboratory services to private physicians,
23 clinics, hospitals, IPAs, GPOs, and other health care providers at fees deeply discounted
24 below what they charged Medi-Cal, and below the maximum payments permitted under
25 Medi-Cal's published fee schedule, for the same services under comparable
26 circumstances. Those maximum allowances are only payable when the provider charges
27 no lower fee, and charging Medi-Cal more for any service than was charged to other
28 purchasers of comparable services under comparable circumstances violates Medi-Cal
regulations.

 20. Defendants actively concealed the acts alleged herein from the State of
California. Defendants never informed California of the discounted prices they charged
their other customers. Moreover, Defendants knew the pull-through scam described
herein was illegal, and hid that scam from California.

1 21. In this lawsuit, Plaintiffs demand treble damages, civil penalties of up to
2 \$10,000 for each false claim, and other relief provided by California’s False Claims Act.

3 **III. PARTIES**

4 22. The plaintiffs in this action are the STATE OF CALIFORNIA and *Qui Tam*
5 Plaintiffs HUNTER LABORATORIES, LLC and CHRIS RIEDEL. At all times material
6 to this action, DHCS was an agency of Plaintiff State of California and administered
7 California’s Medi-Cal program, which paid benefits from a combination of State and
8 Federal Government funds in an approximate 50/50 ratio. DHCS provided Medi-Cal
9 benefits to qualified recipients, which included payment of claims to Defendants for their
10 laboratory tests. These claims were paid based upon Defendants’ false representations,
11 among other things, that the fees being charged were calculated in accordance with
12 applicable Medi-Cal regulations, and were not the result of unlawful kickbacks.

13 23. *Qui Tam* Plaintiff HUNTER LABORATORIES, LLC (“HUNTER”) is an
14 affiliate of Hunter Laboratories, Inc. (“Hunter Labs”), a corporation organized and
15 existing under the laws of California that is engaged in the commercial reference
16 laboratory business.

17 24. *Qui Tam* Plaintiff CHRIS RIEDEL (“RIEDEL”) is an individual engaged in
18 the commercial reference laboratory business.

19 25. Defendant QUEST DIAGNOSTICS INCORPORATED, f/k/a Corning
20 Clinical Laboratories, Inc., f/k/a Met Path, Inc. (“QUEST-DE”) (NYSE: DGX) is a
21 Delaware corporation with its principal place of business at 1290 Wall Street West,
22 Lyndhurst, New Jersey. At all times relevant hereto, QUEST-DE conducted business in
23 California, including but not limited to providing clinical laboratory services to the
24 general public in California. Plaintiff sues QUEST-DE both based on conduct of
25 QUEST-DE itself and in QUEST-DE’s capacity as successor by merger, consolidation,
26 asset acquisition, or otherwise, to each of the following:

27
28 ///

1 (a) Damon Reference Laboratories (Cal. Corp. No. C0706356), a
2 California corporation which merged into QUEST-DE (then known as Metpath) on
3 December 31, 1994;

4 (b) Damon Clinical Laboratories, Inc. (Cal. Corp. No. C1812259), a
5 California corporation which merged into QUEST-DE (then known as Metpath) on
6 December 31, 1994;

7 (c) MAWD Medical Laboratories, f/k/a Nichols Acquisition, Inc. (Cal.
8 Corp. No. C1675739), a California corporation which merged into QUEST-DE (then
9 known as Metpath) on December 31, 1994;

10 (d) Nichols Institute Diagnostics (Cal. Corp. No. C0709631), a
11 California corporation which Quest acquired in or about June of 1994, and remains an
12 active California corporation;

13 (e) SmithKline Beecham Clinical Laboratories, which Quest acquired on
14 or about on or about August 16, 1999;

15 (f) LabOne, Inc., f/k/a Lab Holdings, Inc., f/k/a Seafield Capital
16 Corporation (Cal. Corp. No. C0752637), a Missouri corporation presently headquartered
17 at 1290 Wall Street West, Lyndhurst, NJ 07071 which Quest acquired on or about
18 November 1, 2005, and which according to the *Washington G-2 Reports 2005 Laboratory*
19 *Industry Strategic Outlook* was the third ranked independent laboratory after Quest and
20 LabCorp at the time of the acquisition;

21 (g) Meris Laboratories, Inc. (Cal. Corp. No. C1676170), a California
22 corporation whose principal place of business was at 2890 Zanker Road, San Jose, CA
23 95134 and the assets of which Quest acquired out of bankruptcy on or after September 17,
24 1998;

25 (h) Focus Diagnostics, Inc. (Cal. Corp. No. C1630165), a Delaware
26 corporation which Quest acquired on or about July 5, 2006, is headquartered at 1290 Wall
27 Street West, Lyndhurst, NJ 07071, and does business in California at 5785 Corporate
28 Avenue, Cypress, California 90630.

1 (i) AmeriPath, Inc., a Delaware corporation which Quest acquired on or
2 about May 31, 2007 and which has its principal place of business at 7111 Fairway Drive,
3 Suite 400, Palm Beach Gardens, Florida 33418;

4 (j) Specialty Laboratories, Inc. (Cal. Corp. No. C0745948), an active
5 California corporation whose principal place of business is at 7111 Fairway Drive, Suite
6 400, Palm Beach Gardens, Florida 33418, whose principal place of business in California
7 is at 27027 Tourney Road, Valencia, California 91355, which became a wholly-owned
8 subsidiary of Ameripath, Inc. on or about January 30, 2006 through a merger with Silver
9 Acquisition Corp. (Cal. Corp. No. C2803326), and which QUEST-DE acquired with its
10 May 31, 2007 acquisition of AmeriPath; and

11 (k) Unilab Corporation (Cal. Corp. No. C2506379) (“UNILAB”), a
12 Delaware corporation that does business in California as Quest Diagnostics-Unilab,
13 whose principal place of business is at 1290 Wall Street, Lyndhurst, NJ 07071, whose
14 principal place of business in California is at 18448 Oxnard Street, Tarzana, California
15 91356, and which Quest-DE’s acquired on or about February 28, 2003 and thereafter
16 integrated into its California operations, as well as the following labs acquired by UniLab
17 prior to its acquisition by Quest:

18 (i) Southern California Clinical Labs, a business entity which
19 Unilab acquired in or about March of 2000;

20 (ii) Pathology Associates Laboratories, Inc., f/k/a Pathology
21 Associates Laboratory (Cal. Corp. No. C0879503), a California Corporation whose
22 principal place of business was at 11929 Saltair Terrace, Los Angeles, California 90049,
23 and which Unilab acquired in or about August of 2000;

24 (iii) Medical Arts, a business entity which Unilab acquired in or
25 about July of 2001; and

26 (iv) Physicians Clinical Laboratory, Inc. (Cal. Corp. No.
27 C1823716), a Delaware corporation which did business at 2499 Natomas Park Drive,
28 Sacramento, California 95833, and which Unilab acquired in or about 1999.

1 26. Defendant QUEST DIAGNOSTICS NICHOLS INSTITUTE, f/k/a Quest
2 Diagnostics, Inc., f/k/a Corning Nichols Institute, Inc., f/k/a Corning Nichols Institute,
3 f/k/a Nichols Institute Reference Laboratories, f/k/a Nichols Institute Laboratories, f/k/a
4 Nichols Institute for Endocrinology (Cal. Corp. No. C0631317) (“QUEST-NICHOLS”) is
5 an active California corporation with its principal place of business at 1290 Wall Street
6 West, Lyndhurst, New Jersey. At all times relevant hereto, QUEST-NICHOLS
7 conducted business in California, including but not limited to providing clinical
8 laboratory services to the general public in California. QUEST-NICHOLS is a wholly-
9 owned subsidiary of QUEST-DE.

10 27. Defendant QUEST DIAGNOSTICS INCORPORATED (“QUEST-NV”)
11 (Cal. Corp. No. C2681228) is a Nevada corporation that does business in California as
12 Quest Diagnostics Incorporated of Nevada. Since approximately October 29, 2005,
13 QUEST-NV has conducted business in California, including but not limited to providing
14 clinical laboratory services to the general public in California. On information and belief,
15 QUEST-NV is a subsidiary of QUEST-DE.

16 28. Defendant QUEST DIAGNOSTICS CLINICAL LABORATORIES, INC.,
17 f/k/a SmithKline Beecham Clinical Laboratories, Inc., f/k/a SmithKline Bioscience
18 Laboratories, Inc., f/k/a SmithKline Clinical Laboratories, Inc., f/k/a Laboratory
19 Procedure, Inc. (“QUEST CLINICAL”) (Cal. Corp. No. C0763619) is a Delaware
20 corporation with its principal place of business at 1290 Wall Street West, Lyndhurst, New
21 Jersey. At all times relevant hereto, QUEST CLINICAL conducted business in
22 California, including but not limited to providing clinical laboratory services to the
23 general public in California. QUEST CLINICAL is the successor-by-merger to Nichols
24 Institute, f/k/a Nichols Institute Northeast, Inc., f/k/a Nichols Institute for Endocrinology,
25 and is a wholly-owned subsidiary of Quest Diagnostics Holdings Incorporated, a wholly-
26 owned subsidiary of QUEST-DE.

27 29. Defendant UNILAB CORPORATION, d/b/a Quest Diagnostics-Unilab
28 (“UNILAB”) (Cal. Corp. No. C2506379) is a Delaware corporation whose principal place

1 of business is at 1290 Wall Street, Lyndhurst, NJ 07071, and whose principal place of
2 business in California is at 18448 Oxnard Street, Tarzana, California 91356. At all times
3 relevant hereto, UNILAB conducted business in California, including but not limited to
4 providing clinical laboratory services to the general public in California. UNILAB is the
5 successor by merger, consolidation, asset acquisition, or otherwise, to Unilab Corporation
6 (Cal. Corp. No. C1866941), a Delaware corporation, which Quest-DE acquired on or
7 about February 28, 2003 pursuant to an Agreement and Plan of Merger dated April 2,
8 2002 and whose principal place of business in California was at 18448 Oxnard Street,
9 Tarzana, CA 91356. Plaintiff sues UNILAB both based on conduct of UNILAB itself
10 and in UNILAB's capacity as successor by merger, consolidation, asset acquisition, or
11 otherwise, to each of the following:

12 (i) Southern California Clinical Laboratory Services, a business
13 entity which Unilab acquired in or about 1999;

14 (ii) Pathology Associates Labs, a clinical reference laboratory
15 business which Unilab acquired in or about August of 2000;

16 (iii) Medical Arts, a clinical reference laboratory business which
17 Unilab acquired in or about July of 2001; and

18 (iv) Physicians Clinical Laboratory, a clinical reference laboratory
19 that was headquartered at 2499 Natomas Park Drive, Sacramento, California 95833.

20 30. Defendant SPECIALTY LABORATORIES, INC., f/k/a Clinical
21 Immunology Laboratories, Inc. (Cal. Corp. No. C0745948) (NYSE: SP) ("SPECIALTY")
22 is an active California corporation whose principal place of business is at 7111 Fairway
23 Drive, Suite 400, Palm Beach Gardens, Florida 33418 and whose principal place of
24 business in California is 27027 Tournay Road, Valencia, California 91355. SPECIALTY
25 is a clinical reference laboratory that offers its services throughout California. QUEST
26 acquired SPECIALTY on or after May 31, 2007.

27 31. As used herein, "QUEST" means and includes, individually and
28 collectively, QUEST-DE; QUEST-NICHOLS; QUEST-NV; QUEST CLINICAL;

1 UNILAB as to events occurring on or after February 28, 2003; and SPECIALTY as to
2 events occurring on or after May 31, 2007. *Qui Tam* Plaintiffs sue the QUEST entities,
3 and each of them, as participants, alter egos of one another, agents of one another, aiders
4 and abettors of one another, actors in concert with one another, joint venturers and
5 conspirators with one another in the acts, plans, schemes, and transactions that are the
6 subject of this Complaint.

7 32. *Qui Tam* Plaintiffs are informed and believe that QUEST is the largest
8 commercial reference laboratory in the California, and that it operates over 500 patient
9 service centers and other facilities in California. Among other California locations,
10 QUEST operates patient service centers in Sacramento County at 1020 29th Street, Suite
11 340, Sacramento, California 95816; 2101 Stone Boulevard, Suite 170, Sacramento,
12 California 95691; 5025 J Street, Suite 300, Sacramento, California 95819; 77 Cadillac
13 Drive, Suite 280, Sacramento, California 95825; 87 Scripps Drive, Suite 100,
14 Sacramento, California 95825; 4112 E. Commerce Way #101, Sacramento, California
15 95834.

16 33. *Qui Tam* Plaintiffs are ignorant of the names and capacities of the
17 Defendants sued herein as DOES 11 through 100, inclusive, and therefore sue such
18 Defendants by fictitious names pursuant to California Code of Civil Procedure section
19 474. *Qui Tam* Plaintiffs will amend this complaint to allege the true names and capacities
20 of the fictitiously named Defendants once ascertained. *Qui Tam* Plaintiffs are informed
21 and believe that Defendants Does 11 through 100, inclusive, are in some manner
22 responsible for the actions alleged herein.

23 **IV. THE COMMERCIAL LABORATORY BUSINESS**

24 34. Defendants are commercial reference laboratories. Commercial reference
25 laboratories perform clinical laboratory services, which entail analyses of human blood,
26 urine, stool, and other body specimens to assist physicians in diagnosing human disease
27 and monitoring treatment. Two types of laboratories generally perform clinical laboratory
28 services. Hospital laboratories are primarily concerned with inpatient testing.

1 Commercial reference laboratories primarily provide outpatient testing for physician
2 offices and/or esoteric testing for hospitals and other laboratories.

3 35. Commercial reference laboratories, including Defendants, perform clinical
4 laboratory services for patients covered under California’s Medi-Cal program, which is
5 administered by the DHCS. Commercial reference laboratories obtain requests for
6 clinical tests from physicians and hospitals. When these tests are eligible for Medi-Cal
7 reimbursement, Defendants submit electronic and/or paper invoices directly to DHCS or
8 its fiscal intermediary for Medi-Cal reimbursement, identifying the tests by a uniform
9 Current Procedure Technology (“CPT”) code. Those invoices are stored in electronic
10 form on computer hard drives and other storage devices maintained by Defendants and
11 DHCS. Defendants are required by their Medi-Cal provider agreements to retain these
12 records for at least three years.

13 **V. DEFENDANTS VIOLATED THE FALSE CLAIMS ACT BY CHARGING**
14 **MEDI-CAL MORE THAN THEY CHARGED OTHER PURCHASERS**
15 **FOR THE SAME TESTS UNDER COMPARABLE CIRCUMSTANCES**

16 36. Under Title 22, Section 51501, subdivision (a) of the California Code of
17 Regulations, “no provider shall charge for any service or any article more than would
18 have been charged for the same service or article to other purchasers of comparable
19 services or articles under comparable circumstances.” Charges in excess of the maximum
20 allowable fees are subject to recovery under both the Medi-Cal statute (Cal. Welf. & Inst.
21 Code § 14107.11) and the California False Claims Act (Gov. Code §§ 12650 *et seq.*), as
22 well as under common law.

23 37. Defendants submitted electronic or paper invoices for clinical laboratory
24 tests directly to DHCS or its fiscal intermediary for Medi-Cal for reimbursement. When
25 submitting these invoices to Medi-Cal for reimbursement, Defendants did not apply the
26 same discounts that they gave to other purchasers of the same lab services under
27 comparable circumstances. Defendants, and each of them, instead submitted invoices for
28 an amount that exceeded the discounted fees, and in most cases equaled or exceeded the

1 maximum Medi-Cal reimbursement rate for each test performed. Each of those invoices
2 constituted a false claim, as an overcharge to DHCS.

3 38. Each of those claims was further false because, in submitting those claims
4 for payment to Medi-Cal, each Defendant represented that its fees complied with DHCS
5 regulations. Those representations were false, in that Defendants were in fact charging
6 far lower fees for the same services to other purchasers of comparable services under
7 comparable circumstances, in violation of Section 51501.

8 39. Defendants have submitted millions of such false claims since November 1,
9 1995. The following chart specifically identifies the number of claims submitted by each
10 of the Defendants during this period that were false because they violated Section 51501:

Defendant:	Number of False Claims:
UNILAB	35,491,001
QUEST CLINICAL	2,856,157
QUEST-DE	2,262,384
SPECIALTY	1,961,807
QUEST-NICHOLS	92,307
QUEST-NV	998

17
18 40. California has been damaged as a result of the foregoing false claims in the
19 following amounts, which do not include treble damages or civil penalties:

Defendant:	Damages:
UNILAB	\$440,849,618
QUEST CLINICAL	\$31,744,005
QUEST-DE	\$20,784,866
SPECIALTY	\$14,548,972
QUEST-NICHOLS	\$1,162,870
QUEST-NV	\$22,190

41. The following sections, and **Exhibits H-M** to this Amended Complaint, provide examples of the 42 million false claims submitted to California by QUEST, UNILAB and SPECIALTY from November 7, 2005, to the present.

A. EXAMPLE 1

42. The following chart lists examples of discounts offered by UNILAB to private purchasers, and compares them with the examples of the amount that UNILAB charged to Medi-Cal for the same tests (as the chart reflects, UNILAB charged Medi-Cal more than the Medi-Cal maximum, so the amount paid by Medi-Cal was automatically reduced to the maximum). These examples -- based on information obtained by *Qui Tam* Plaintiffs, independent of any document production by Defendants, and attached to this Amended Complaint as **Exhibits A-D** -- show UNILAB's non-Medi-Cal fees to be well below what it charged to DHCS for Medi-Cal reimbursement, for the same tests, under comparable circumstances. The final column shows the overpayment resulting from the false claim, as a percentage of the proper amount that UNILAB should have claimed.

Test Name	CPT	Amount charge to Medi-Cal	Amount paid by Medi-Cal	Date of charge to Medi-Cal	Discounted amount charged to private purchaser	Name of private purchaser	Date of charge to private purchaser	Resulting over-payment
CBC w Diff & Platelets	85025	\$31.50	██████	6/2/05	██████	Marin Specialty Clinic	12/18/04	739%
Lipid Panel	80061	\$72.50	██████	2/18/04	██████	Marin Women's Health Center	2/18/04	192%
Comp. Metabolic Panel	80053	\$59.00	██████	12/21/04	██████	Marin Specialty Clinic	12/18/04	515%
GC Amplified DNA probe	87591	\$99.00	██████	2/19/04	██████	Marin Women's Health Center	2/18/04	527%
Hemoglobin (A1C)	83036	\$69.25	██████	12/24/02	██████	Southern Trinity Health Services	12/20/02	183%

Test Name	CPT	Amount charge to Medi-Cal	Amount paid by Medi-Cal	Date of charge to Medi-Cal	Discounted amount charged to private purchaser	Name of private purchaser	Date of charge to private purchaser	Resulting over-payment
Culture, Urine	87086	\$48.00	██████	6/14/04	██████	Marin Specialty Clinic	12/18/04	124%
Urinalysis w/micro	81001	\$30.80	██████	12/5/00	██████	Open Door Health Center	1/3/01	307%
RPR/reflex TPPA	86592	\$37.75	██████	12/13/05	██████	Marin Specialty Clinic	12/18/04	342%
Sed Rate	85652	\$33.25	██████	9/5/02	██████	Open Door Health Center	1/3/01	434%
Hepatitis B Surface Ag.	87340	\$62.50	██████	6/1/04	██████	Marin Women's Health Services	12/18/04	569%
ft4	84439	\$84.75	██████	6/3/04	██████	Marin Specialty Clinic	12/18/04	158%
Uric Acid	84550	\$40.39	██████	6/1/01	██████	Southern Trinity Health Services	12/20/02	327%
Iron	83540	\$29.31	██████	1/3/01	██████	Open Door Health Center	1/3/01	597%
Culture, Group B. Strep	87081	\$43.50	██████	3/18/02	██████	Open Door Health Center	1/3/01	325%
Ferritin	82728	\$86.25	██████	1/29/02	██████	Open Door Health Center	1/3/01	633%
GGT	82977	\$30.01	██████	10/8/04	██████	Marin Specialty Clinic	12/18/04	331%
Estradiol	82670	\$140.50	██████	1/16/02	██████	Southern Trinity Health Services	12/20/02	254%

Test Name	CPT	Amount charge to Medi-Cal	Amount paid by Medi-Cal	Date of charge to Medi-Cal	Discounted amount charged to private purchaser	Name of private purchaser	Date of charge to private purchaser	Resulting over-payment
Rubella IgG	86762	\$108.68	██████	7/3/02	██████	Southern Trinity Health Services	12/20/02	588%
Hepatitis C Antibody	86803	\$56.44	██████	4/23/01	██████	Open Door Health Center	1/3/01	234%
Rh	86901	\$34.18	██████	9/3/04	██████	Marin Specialty Clinic	12/18/04	223%
Hepatitis B Surface Ab.	86706	\$42.46	██████	4/23/01	██████	Southern Trinity Health Services	12/20/02	297%
Beta HCG (Quant)	84702	\$70.50	██████	10/4/02	██████	Southern Trinity Health Services	12/20/02	107%
FSH	83001	\$94.00	██████	6/1/04	██████	Marin Specialty Clinic	12/18/04	236%
Free Testosterone	84402	\$234.25	██████	7/2/02	██████	Southern Trinity Health Services	12/20/02	545%
Occult Blood	82270	\$68.25	██████	6/29/04	██████	Marin Specialty Clinic	12/18/04	98%
Progesterone	84144	\$126.50	██████	9/6/02	██████	Open Door Health Center	1/3/01	154%

43. The foregoing chart provides just examples of UNILAB's overcharges. UNILAB has also offered and charged lower rates to, and collected lower rates from, thousands of other purchasers of the same lab services, under comparable circumstances, than it charged to and collected from DHCS for Medi-Cal reimbursement for other tests within the 80000 to 89999 range of CPT codes, and has done so from at least November

1, 1995, to the present (a UNILAB fee schedule from June 6, 2000, for example, attached hereto as **Exhibit E**, shows discounts as low, if not lower, than those listed in the foregoing table).

B. EXAMPLE 2

44. Plaintiffs are in possession of other QUEST, UNILAB, and SPECIALTY fee schedules and invoices, produced by Defendants, in addition to those containing the information provided in the foregoing chart, that further prove that Defendants provided discounts to private purchasers that they did not provide to Medi-Cal. Defendants assert that the fee schedules and invoices they produced are confidential. The following table provides additional examples of Defendants' false claims, based on discounted prices reflected in the fee schedules and invoices designated as confidential (as well as those independently obtained by *Qui Tam* Plaintiffs).

45. For CPT 80053, which is a Comprehensive Metabolic Panel, in 2004, QUEST charged discounted prices to many of its purchasers. For example, QUEST charged the following purchasers, the following fees, between January 1, 2004, and December 31, 2004:

Purchaser:	Fee Charged:	Date of charge, or effective date:
Charles Bookoff, MD	██████	2/18/2004
Marin Women's Health Services	██████	2/18/2004
Womens Health Clinic	██████	2/18/2004
David Brody, MD	██████	2/18/2004
Community Medical Center	██████	3/15/2004
Bolinas Family Practice	██████	3/31/2004
Stinson Beach Medical Center	██████	3/31/2004
Butte Valley Health Center	██████	3/31/2004

1	Tehama County Medical Center	██████	3/31/2004
2	Marin Community Clinic	██████	3/31/2004
3	Bart Vanness Maint	██████	3/31/2004
4	Shifa Clinic	██████	3/31/2004
5	DMC-Pediatrics, D.M. Camarena Health	██████	3/31/2004
6	Center		
7	Petaluma Health Center	██████	3/31/2004
8	Southwest Community Health Center	██████	3/31/2004
9	Mobile Medical Office	██████	3/31/2004
10	Santa Rosa Ranchiera, CVIH-Lemoore	██████	3/31/2004
11	North Fork Health	██████	3/31/2004
12	CVIH-Prather Health Clinic	██████	3/31/2004
13	United Health Center Earlimart	██████	3/31/2004
14	Council of Community Clinics Service	██████	4/19/2004
15	Corp. dba Council Connections	██████	5/1/2004

18 46. Each of the foregoing discounted prices was for the same test, under
19 comparable circumstances, as those tests performed for by QUEST and billed to DHCS.

20 47. During the same period, between January 1, 2004, and December 31, 2004,
21 QUEST billed Medi-Cal thousands of times for CPT 80053. Of those bills, most were for
22 more than the amounts charged to the private purchasers listed in the foregoing table.
23 Each of those bills therefore constituted a false claim, because each bill overcharged
24 Medi-Cal in violation of Section 51501. A sample of these false claims is provided in the
25 following table (as the chart reflects, QUEST charged Medi-Cal more than the Medi-Cal
26 maximum, so the amount paid by Medi-Cal was automatically reduced to the maximum).
27 The final columns show the overpayment resulting from the false claim, and the
28 overcharge percent:

1	Medi-Cal Claim Number	Date claim received by Medi-Cal	Amount Defendant charged Medi-Cal	Amount Medi-Cal paid	Lowest price to a private purchaser (see foregoing table)	Overcharge, based on lowest charge to private purchaser	Resulting over-payment
2	4005614953200	01/05/2004	\$23.87				584%
3	4005614947600	01/05/2004	\$31.50				718%
4	4012614532700	01/12/2004	\$31.50				584%
5	4014623752400	01/14/2004	\$31.50				584%
6	4014623745900	01/14/2004	\$31.50				718%
7	4014623791400	01/14/2004	\$36.50				584%
8	4014623734300	01/14/2004	\$31.50				584%
9	4014623763800	01/14/2004	\$23.87				584%
10	4014623776200	01/14/2004	\$22.99				584%
11	4014623834200	01/14/2004	\$31.50				584%
12	4014623878000	01/14/2004	\$31.50				584%
13	4014623755800	01/14/2004	\$31.50				584%
14	4070621567100	03/10/2004	\$31.50				584%
15	4070621622400	03/10/2004	\$31.50				584%
16	4070621644600	03/10/2004	\$31.50				584%
17	4070621558000	03/10/2004	\$31.50				584%
18	4070621630600	03/10/2004	\$31.50				584%
19	4070621539200	03/10/2004	\$31.50				584%
20	4078619215700	03/18/2004	\$23.87				584%
21	4078619284400	03/18/2004	\$31.50				584%
22	4078619275900	03/18/2004	\$31.50				584%
23	4078619274800	03/18/2004	\$31.50				584%
24	4078619240900	03/18/2004	\$31.50				584%
25	4078619303300	03/18/2004	\$31.50				584%
26	4078619346100	03/18/2004	\$31.50				584%
27	4078619228600	03/18/2004	\$31.50				584%
28	4086617772600	03/26/2004	\$31.50				584%
	4086617884100	03/26/2004	\$31.50				584%
	4086617713400	03/26/2004	\$31.50				584%
	4086617778500	03/26/2004	\$31.50				584%
	4086617970700	03/26/2004	\$31.50	584%			
	4086617980500	03/26/2004	\$31.50	584%			
	4086617909400	03/26/2004	\$23.87	584%			
	4086617745900	03/26/2004	\$31.50	584%			
	4086617906500	03/26/2004	\$31.50	584%			
	4086617896600	03/26/2004	\$22.99	584%			
	4086617864600	03/26/2004	\$31.50	584%			
	4086617951900	03/26/2004	\$31.50	584%			
	4086617884000	03/26/2004	\$31.50	584%			
	4086617938100	03/26/2004	\$31.50	584%			
	4086617952200	03/26/2004	\$31.50	584%			
	4086617949800	03/26/2004	\$31.50	584%			
	4086617813800	03/26/2004	\$31.50	584%			

1	Medi-Cal Claim Number	Date claim received by Medi-Cal	Amount Defendant charged Medi-Cal	Amount Medi-Cal paid	Lowest price to a private purchaser (see foregoing table)	Overcharge, based on lowest charge to private purchaser	Resulting over-payment
2	4086617958400	03/26/2004	\$31.50				584%
3	4086617700100	03/26/2004	\$22.99				584%
4	4086617888900	03/26/2004	\$31.50				584%
5	4086617912300	03/26/2004	\$31.50				584%
6	4092620290000	04/01/2004	\$31.50				584%
7	4092619965700	04/01/2004	\$31.50				584%
8	4092620312300	04/01/2004	\$51.50				584%
9	4092620404600	04/01/2004	\$31.50				584%
10	4092619960600	04/01/2004	\$31.50				584%
11	4092620274000	04/01/2004	\$31.50				584%
12	4092620379500	04/01/2004	\$31.50				584%
13	4092619982800	04/01/2004	\$31.50				584%
14	4092619955600	04/01/2004	\$31.50				584%
15	4092620386300	04/01/2004	\$23.87				584%
16	4092620266400	04/01/2004	\$31.50				584%
17	4092620189700	04/01/2004	\$31.50				584%
18	4092620370900	04/01/2004	\$31.50				718%
19	4092619930700	04/01/2004	\$31.50				584%
20	4092620135900	04/01/2004	\$31.50				584%
21	4092620419600	04/01/2004	\$31.50				584%
22	4099621233000	04/08/2004	\$31.50				584%
23	4099621229800	04/08/2004	\$31.50				584%
24	4099621146300	04/08/2004	\$22.99				584%
25	4099621029300	04/08/2004	\$31.50				584%
26	4099621108400	04/08/2004	\$31.50				584%
27	4099621181900	04/08/2004	\$31.50				584%
28	4099620942800	04/08/2004	\$31.50				584%
	4099621192000	04/08/2004	\$23.87				584%
	4099621166500	04/08/2004	\$31.50				584%
	4099621100700	04/08/2004	\$22.99				584%
	4099621054100	04/08/2004	\$31.50				584%
	4099620941700	04/08/2004	\$31.50				584%
	4099621049900	04/08/2004	\$31.50				584%
	4103616289400	04/12/2004	\$31.50				584%
	4103616334600	04/12/2004	\$31.50				584%
	4103616303500	04/12/2004	\$31.50				584%
	4103616131200	04/12/2004	\$31.50				584%
	4103615979700	04/12/2004	\$31.50				584%
	4103616301000	04/12/2004	\$31.50				584%
	4103616239800	04/12/2004	\$22.99				584%
	4103616542800	04/12/2004	\$31.50				584%
	4103616041800	04/12/2004	\$31.50				584%
	4103615854500	04/12/2004	\$31.50				584%

	Medi-Cal Claim Number	Date claim received by Medi-Cal	Amount Defendant charged Medi-Cal	Amount Medi-Cal paid	Lowest price to a private purchaser (see foregoing table)	Overcharge, based on lowest charge to private purchaser	Resulting over-payment
1							
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5	4103616238900	04/12/2004	\$31.50				584%
6	4103616316800	04/12/2004	\$31.50				584%
	4103616072400	04/12/2004	\$31.50				584%
7	4103616302300	04/12/2004	\$31.50				584%
	4103616129100	04/12/2004	\$31.50				584%
8	4103616292400	04/12/2004	\$31.50				584%
	4103616146100	04/12/2004	\$31.50				584%
9	4103615910300	04/12/2004	\$31.50				584%
	4103616174700	04/12/2004	\$31.50				584%
10	4103616355200	04/12/2004	\$31.50				584%
	4103616328100	04/12/2004	\$31.50				584%
11	4103616682200	04/12/2004	\$31.50				447%
	4103616587200	04/12/2004	\$31.50				584%
12	4103615863000	04/12/2004	\$31.50				584%
	4103616435400	04/12/2004	\$31.50				584%
13	4103616305700	04/12/2004	\$31.50				584%
	4103615949900	04/12/2004	\$31.50				584%
14	4105622359000	04/14/2004	\$23.87				584%
	4105622331500	04/14/2004	\$31.50				584%
15	4105622377900	04/14/2004	\$31.50				584%
	4105622392600	04/14/2004	\$31.50				584%
16	4105622422500	04/14/2004	\$31.50				584%
	4112621793000	04/21/2004	\$22.99				584%
17	4112621743800	04/21/2004	\$23.87				584%
	4112621807500	04/21/2004	\$31.50				584%
18	4112621771500	04/21/2004	\$23.87				584%
	4112621757400	04/21/2004	\$31.50				584%
19	4112621761500	04/21/2004	\$31.50				584%
	4112621794300	04/21/2004	\$31.50				584%
20	4112621738700	04/21/2004	\$31.50				584%
	4112621786300	04/21/2004	\$31.50				584%
21	4112621724300	04/21/2004	\$31.50				584%
	4112621726300	04/21/2004	\$31.50				584%
22	4120622208700	04/29/2004	\$31.50				584%
	4120622178800	04/29/2004	\$31.50				584%
23	4120622109300	04/29/2004	\$31.50				584%
	4120622259400	04/29/2004	\$31.50				584%
24	4120622194700	04/29/2004	\$31.50				584%
	4120622134200	04/29/2004	\$31.50				584%
25	4128617062100	05/07/2004	\$22.99				584%
	4134620631600	05/13/2004	\$31.50				584%
26	4134620678800	05/13/2004	\$31.50				584%
	4134620741200	05/13/2004	\$31.50				584%
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Medi-Cal Claim Number	Date claim received by Medi-Cal	Amount Defendant charged Medi-Cal	Amount Medi-Cal paid	Lowest price to a private purchaser (see foregoing table)	Overcharge, based on lowest charge to private purchaser	Resulting over-payment
4134620610400	05/13/2004	\$31.50				584%
4141623235600	05/20/2004	\$31.50				584%
4141623255200	05/20/2004	\$31.50				584%
4141623231700	05/20/2004	\$31.50				584%
4141623368000	05/20/2004	\$31.50				584%
4141623386600	05/20/2004	\$31.50				584%
4141623306600	05/20/2004	\$36.50				584%
4141623350100	05/20/2004	\$31.50				584%
4141623396700	05/20/2004	\$31.50				584%
4141623316300	05/20/2004	\$31.50				584%
4149617126300	05/28/2004	\$23.87				584%
4149617246600	05/28/2004	\$31.50				584%
4149617128800	05/28/2004	\$22.99				584%
4149617199900	05/28/2004	\$38.53				584%
4149617166900	05/28/2004	\$31.50				447%
4149617112400	05/28/2004	\$23.87				584%
4149617163300	05/28/2004	\$31.50				584%
4149617267000	05/28/2004	\$22.99				584%
4149617183200	05/28/2004	\$31.50				584%
4159613883300	06/07/2004	\$31.50				584%
4159613909200	06/07/2004	\$31.50				584%
4159613869500	06/07/2004	\$31.50				584%
4159613902400	06/07/2004	\$31.50				584%
4159613943300	06/07/2004	\$31.50				584%
4159613844400	06/07/2004	\$22.99				584%
4159613968100	06/07/2004	\$31.50				584%
4159613816400	06/07/2004	\$31.50				584%
4159613814700	06/07/2004	\$31.50				584%
4159613815400	06/07/2004	\$31.50				584%
4159613914000	06/07/2004	\$36.50				584%
4159613866700	06/07/2004	\$31.50				584%
4163619008700	06/11/2004	\$22.99				584%
4163618956800	06/11/2004	\$31.50				584%
4163618929000	06/11/2004	\$31.50				584%
4163618956300	06/11/2004	\$31.50				584%
4163618916600	06/11/2004	\$31.50				584%
4170618816800	06/18/2004	\$31.50				584%
4175619037100	06/23/2004	\$31.50				584%
4181615164300	06/29/2004	\$31.50				584%
4181615222700	06/29/2004	\$31.50				584%
4181615127800	06/29/2004	\$23.87				584%
4181615218500	06/29/2004	\$31.50				584%
4181615119900	06/29/2004	\$31.50				584%

	Medi-Cal Claim Number	Date claim received by Medi-Cal	Amount Defendant charged Medi-Cal	Amount Medi-Cal paid	Lowest price to a private purchaser (see foregoing table)	Overcharge, based on lowest charge to private purchaser	Resulting over-payment
1	4181615214300	06/29/2004	\$31.50				584%
2	4181615215500	06/29/2004	\$31.50				584%
3	4181615173700	06/29/2004	\$22.99				584%
4	4191619901100	07/09/2004	\$31.50				584%
5	4191619884000	07/09/2004	\$31.50				584%
6	4191619863600	07/09/2004	\$31.50				584%
7	4191619816900	07/09/2004	\$31.50				584%
8	4191619863400	07/09/2004	\$31.50				584%
9	4196624820600	07/14/2004	\$31.50				584%
10	4196624863500	07/14/2004	\$31.50				584%
11	4196624868900	07/14/2004	\$31.50				584%
12	4202614592000	07/20/2004	\$31.50				584%
13	4202614606100	07/20/2004	\$31.50				584%
14	4202614550600	07/20/2004	\$31.50				584%
15	4202614529000	07/20/2004	\$31.50				584%
16	4210624497300	07/28/2004	\$31.50				584%
17	4210624512400	07/28/2004	\$31.50				584%
18	4210624466100	07/28/2004	\$31.50				584%
19	4210624517500	07/28/2004	\$31.50				584%
20	4210624441000	07/28/2004	\$38.53				584%
21	4210624457800	07/28/2004	\$31.50				584%
22	4210624418800	07/28/2004	\$51.50				584%
23	4210624446800	07/28/2004	\$31.50				584%
24	4210624426300	07/28/2004	\$18.88				584%
25	4210624419300	07/28/2004	\$31.50				584%
26	4210624452900	07/28/2004	\$31.50				584%
27	4218620340400	08/05/2004	\$31.50				584%
28	4218620415900	08/05/2004	\$31.50				584%
	4218620359400	08/05/2004	\$31.50				584%
	4218306906300	08/05/2004	\$42.85				855%
	4224621427900	08/11/2004	\$31.50				584%
	4224621406700	08/11/2004	\$31.50				584%
	4224621446900	08/11/2004	\$31.50				584%
	4224621408100	08/11/2004	\$31.50				584%
	4224621466300	08/11/2004	\$31.50				584%
	4226292902300	08/13/2004	\$32.46				855%
	4232618981400	08/19/2004	\$31.50				584%
	4232619038800	08/19/2004	\$31.50				584%
	4232618927900	08/19/2004	\$31.50				584%
	4232618961600	08/19/2004	\$31.50				584%
	4232618942500	08/19/2004	\$31.50				584%
	4232619033800	08/19/2004	\$31.50				584%
	4237613673800	08/24/2004	\$31.50				584%

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Medi-Cal Claim Number	Date claim received by Medi-Cal	Amount Defendant charged Medi-Cal	Amount Medi-Cal paid	Lowest price to a private purchaser (see foregoing table)	Overcharge, based on lowest charge to private purchaser	Resulting over-payment
4237613612300	08/24/2004	\$31.50				584%
4237613697900	08/24/2004	\$31.50				584%
4237613635500	08/24/2004	\$31.50				584%
4247620695400	09/03/2004	\$31.50				584%
4247620683300	09/03/2004	\$31.50				584%
4247620688500	09/03/2004	\$31.50				584%
4247620626400	09/03/2004	\$31.50				584%
4253619924700	09/09/2004	\$31.50				584%
4253619937300	09/09/2004	\$31.50				584%
4253619879000	09/09/2004	\$36.50				584%
4253619886700	09/09/2004	\$22.99				584%
4253619884200	09/09/2004	\$31.50				584%
4253619891900	09/09/2004	\$31.50				584%
4258614295000	09/14/2004	\$31.50				584%
4258614237000	09/14/2004	\$31.50				584%
4266619676300	09/22/2004	\$31.50				584%
4266619716500	09/22/2004	\$31.50				584%
4272614114400	09/28/2004	\$31.50				584%
4272614157000	09/28/2004	\$36.50				584%
4272614236400	09/28/2004	\$31.50				584%
4272614227800	09/28/2004	\$31.50				584%
4272614119900	09/28/2004	\$31.50				584%
4272614198300	09/28/2004	\$31.50				584%
4272614122500	09/28/2004	\$31.50				584%
4281620127400	10/07/2004	\$31.50				584%
4281619934000	10/07/2004	\$22.99				584%
4281619919300	10/07/2004	\$31.50				584%
4281620115600	10/07/2004	\$31.50				584%
4281619945400	10/07/2004	\$23.87				584%
4281620124400	10/07/2004	\$31.50				584%
4281619954900	10/07/2004	\$31.50				584%
4281619919100	10/07/2004	\$31.50				584%
4287620314500	10/13/2004	\$31.50				584%
4287620438200	10/13/2004	\$22.99				584%
4287620344800	10/13/2004	\$22.99				584%
4287620322300	10/13/2004	\$31.50				584%
4287620338700	10/13/2004	\$51.50				584%
4287620420500	10/13/2004	\$31.50				584%
4294616300700	10/20/2004	\$31.50				584%
4294616375800	10/20/2004	\$31.50				584%
4294616286400	10/20/2004	\$31.50				584%
4294616345600	10/20/2004	\$31.50				584%
4294616302200	10/20/2004	\$31.50				584%

1	Medi-Cal Claim Number	Date claim received by Medi-Cal	Amount Defendant charged Medi-Cal	Amount Medi-Cal paid	Lowest price to a private purchaser (see foregoing table)	Overcharge, based on lowest charge to private purchaser	Resulting over-payment
2	4294616424400	10/20/2004	\$31.50				584%
3	4300614541600	10/26/2004	\$31.50				584%
4	4300614558500	10/26/2004	\$31.50				584%
5	4300614578200	10/26/2004	\$31.50				584%
6	4300614602100	10/26/2004	\$31.50				584%
7	4300614542000	10/26/2004	\$31.50				584%
8	4307616388400	11/02/2004	\$31.50				584%
9	4307616462800	11/02/2004	\$31.50				584%
10	4307616431100	11/02/2004	\$31.50				584%
11	4307616489200	11/02/2004	\$31.50				584%
12	4307616516100	11/02/2004	\$31.50				584%
13	4307616464600	11/02/2004	\$31.50				584%
14	4307616509000	11/02/2004	\$31.50				584%
15	4307616435300	11/02/2004	\$31.50				584%
16	4314615737700	11/09/2004	\$31.50				584%
17	4314615714700	11/09/2004	\$31.50				584%
18	4322618827000	11/17/2004	\$31.50				584%
19	4322618850500	11/17/2004	\$31.50				584%
20	4322618938400	11/17/2004	\$31.50				584%
21	4322618910900	11/17/2004	\$31.50				584%
22	4322618885100	11/17/2004	\$31.50				584%
23	4337621377600	12/02/2004	\$31.50				584%
24	4337621264000	12/02/2004	\$31.50				584%
25	4337621288800	12/02/2004	\$31.50				584%
26	4337621378800	12/02/2004	\$31.50				584%
27	4337621429900	12/02/2004	\$31.50				584%
28	4337621444000	12/02/2004	\$31.50				584%
	4337621408400	12/02/2004	\$31.50				584%
	4337621376300	12/02/2004	\$31.50				584%
	4337621458900	12/02/2004	\$31.50				584%
	4351622260800	12/16/2004	\$31.50				584%
	4351622225400	12/16/2004	\$31.50				584%
	4351622248800	12/16/2004	\$31.50				584%
	4351622230000	12/16/2004	\$22.99				584%
	4351622197200	12/16/2004	\$22.99				584%
	4351622306100	12/16/2004	\$31.50				584%
	4351622299800	12/16/2004	\$31.50				584%
	4351622211600	12/16/2004	\$31.50				584%
	4358618703300	12/23/2004	\$31.50				584%
	4358618588600	12/23/2004	\$31.50				584%
	4358618643600	12/23/2004	\$23.87				584%
	4358618604400	12/23/2004	\$31.50				584%
	4358618661500	12/23/2004	\$31.50				584%

Medi-Cal Claim Number	Date claim received by Medi-Cal	Amount Defendant charged Medi-Cal	Amount Medi-Cal paid	Lowest price to a private purchaser (see foregoing table)	Overcharge, based on lowest charge to private purchaser	Resulting over-payment
4358618630800	12/23/2004	\$31.50				584%
4364626651400	12/29/2004	\$31.50				584%

C. EXAMPLE 3

48. The following chart provides examples of the discounts offered specifically by SPECIALTY to Palm Drive Hospital, in Sebastopol, California, and compares them with examples of the amount that SPECIALTY charged to Medi-Cal for the same tests (as the chart reflects, SPECIALTY charged Medi-Cal more than the Medi-Cal maximum, so the amount paid by Medi-Cal was automatically reduced to the maximum). These examples -- based on information obtained by *Qui Tam* Plaintiffs, independent of any document production by Defendants, and attached to this Amended Complaint as **Exhibit F** -- show SPECIALTY's non-Medi-Cal fees to be well below what it charged to DHCS for Medi-Cal reimbursement, for the same tests. The final column shows the percent overpayment resulting from the false claim.

Test Name	CPT	Amount charged to Medi-Cal	Amount paid by Medi-Cal	Date of charge to Medi-Cal	Amount charged to private purchaser	Name of private purchaser	Date of charge to private purchaser	Resulting overpayment
GC Amplified DNA probe	87591	\$87.50		8/4/04		Palm Drive Hospital	8/4/04	464%
Hemoglobin (A1C)	83036	\$103.00		8/4/04		Palm Drive Hospital	8/4/04	217%
Hepatitis B Surface Ab.	86706	\$55.00		5/10/04		Palm Drive Hospital	8/4/04	296%
Rubella IgG	86762	\$42.50		3/5/04		Palm Drive Hospital	8/4/04	326%

Test Name	CPT	Amount charged to Medi-Cal	Amount paid by Medi-Cal	Date of charge to Medi-Cal	Amount charged to private purchaser	Name of private purchaser	Date of charge to private purchaser	Resulting overpayment
Chlamydia Amplified DNA probe	87491	\$91.00	██████	7/1/04	██████	Palm Drive Hospital	8/4/04	837%

49. Similarly, the following chart provides examples of the discounts offered specifically by SPECIALTY to the Premier, Inc. GPO, from January 1, 2005 to September 30, 2007, and compares them with examples of the amount that SPECIALTY charged to Medi-Cal for the same tests, during the same period (as the chart reflects, SPECIALTY charged Medi-Cal more than the Medi-Cal maximum, so the amount paid by Medi-Cal was automatically reduced to the maximum). These examples -- based on information obtained by *Qui Tam* Plaintiffs, independent of any document production by Defendants, and attached to this Amended Complaint as **Exhibit G** -- show SPECIALTY's non-Medi-Cal fees to be well below what it charged to DHCS for Medi-Cal reimbursement, for the same tests. The final column shows the percent overcharge resulting from the false claim.

CPT Code	Amount Defendant Charged Medi-Cal	Amount Paid by Medi-Cal	Date of claim received by Medi-Cal	Discounted Amount Charged to Premier, Inc.	Effective Dates of Discount	Resulting Overpayment by Medi-Cal
82746	\$43.00	██████	06/25/2007	██████	1/1/2005 9/30/2007	464%
85025	\$33.00	██████	06/27/2005	██████	1/1/2005 9/30/2007	361%
86665	\$163.98	██████	06/08/2007	██████	1/1/2005 9/30/2007	64%
84403	\$117.12	██████	05/31/2006	██████	1/1/2005 9/30/2007	129%
86147	\$89.00	██████	06/04/2007	██████	1/1/2005 9/30/2007	451%
86431	\$16.55	██████	09/18/2006	██████	1/1/2005 9/30/2007	35%
86664	\$81.99	██████	06/15/2007	██████	1/1/2005 9/30/2007	53%
86703	\$70.00	██████	06/21/2007	██████	1/1/2005 9/30/2007	276%
87252	\$95.00	██████	03/21/2005	██████	1/1/2005 9/30/2007	145%
82310	\$167.00	██████	06/04/2007	██████	1/1/2005 9/30/2007	381%
82565	\$16.00	██████	06/04/2007	██████	1/1/2005 9/30/2007	378
82247	\$10.00	██████	07/24/2007	██████	1/1/2005 9/30/2007	369%
84520	\$8.00	██████	09/25/2006	██████	1/1/2005 9/30/2007	268%

1 50. The foregoing charts provide examples of SPECIALTY's overcharges.
2 SPECIALTY has also offered and charged lower rates to, and collected lower rates from,
3 other purchasers of the same lab services, under comparable circumstances, than it
4 charged to DHCS for Medi-Cal reimbursement for other tests within the 80000 to 89999
5 range of CPT codes, and has done so from at least November 1, 1995, to the present.

6 **D. EXAMPLE 4**

7 For CPT 80048, which is a Basic Metabolic Panel, in 2007 and 2008, UNILAB
8 charged discounted prices to many of its purchasers. For example, UNILAB charged the
9 following purchasers, the following fees, between May 31, 2007, and May 31, 2008:

Purchaser:	Fee Charged:	Date of charge, or effective date:
Family Health Care Network - OROSI	██████	5/31/2007
Clinica De Salud	██████	5/31/2007
Clinica De Salud	██████	5/31/2008

16 51. Each of the foregoing discounted prices was for the same test, under
17 comparable circumstances, as those tests performed for by UNILAB and billed to DHCS.

18 52. During the same period, between May 31, 2007, and May 31, 2008,
19 UNILAB billed Medi-Cal thousands of times for CPT 80048. Of those bills, most were
20 for more than the amounts charged to the purchasers listed in the foregoing table. Each of
21 those bills therefore constituted a false claim, because each bill overcharged Medi-Cal in
22 violation of Section 51501. A sample of these false claims is provided in the following
23 table. As the chart reflects, QUEST charged Medi-Cal more than the Medi-Cal
24 maximum, so the amount paid by Medi-Cal was automatically reduced to the maximum.
25 The final columns show the overpayment resulting from the false claim, and the
26 overcharge percent:
27
28

	Medi-Cal Claim Number	Date claim received by Medi-Cal	Amount Defendant charged Medi-Cal	Amount Medi-Cal paid	Lowest price to a private purchaser (see foregoing table)	Overcharge based on lowest charge to private purchaser	Resulting over-payment
1							
2							
3							
4							
5	7151633182400	05/31/2007	\$44.50				516%
6	7155615919000	06/04/2007	\$25.21				362%
	7155616264800	06/04/2007	\$25.21				516%
7	7155616321800	06/04/2007	\$25.21				516%
	7155616382200	06/04/2007	\$25.21				516%
8	7155615061900	06/04/2007	\$25.21				516%
	7155616329400	06/04/2007	\$25.21				516%
9	7155615970700	06/04/2007	\$25.21				516%
	7156613697000	06/05/2007	\$25.21				516%
10	7158620274200	06/07/2007	\$25.21				516%
	7165620616100	06/14/2007	\$25.21				516%
11	7165623709100	06/14/2007	\$44.50				516%
	7165625196900	06/14/2007	\$44.50				516%
12	7165624297300	06/14/2007	\$101.60				516%
	7165623291500	06/14/2007	\$44.50				516%
13	7169618016200	06/18/2007	\$44.50				516%
	7170615435100	06/19/2007	\$44.50				516%
14	7170615207900	06/19/2007	\$25.21				516%
	7172619466100	06/21/2007	\$57.63				516%
15	7172619489800	06/21/2007	\$57.63				516%
	7172619738900	06/21/2007	\$60.90				516%
16	7172618334400	06/21/2007	\$54.87				516%
	7176615076100	06/25/2007	\$13.00				516%
17	7176614752900	06/25/2007	\$13.00				516%
	7176617677300	06/25/2007	\$44.50				516%
18	7176614934000	06/25/2007	\$13.00				516%
	7178615596000	06/27/2007	\$44.50				516%
19	7178614666200	06/27/2007	\$13.00				516%
	7178614963200	06/27/2007	\$54.87				516%
20	7178615702700	06/27/2007	\$67.76				516%
	7179619694300	06/28/2007	\$76.16				516%
21	7183615722100	07/02/2007	\$13.00				516%
	7183615710900	07/02/2007	\$13.00				516%
22	7183615581100	07/02/2007	\$13.00				516%
	7187617138300	07/06/2007	\$44.50				516%
23	7190614335400	07/09/2007	\$9.20				505%
	7190615473200	07/09/2007	\$68.64				516%
24	7190613359200	07/09/2007	\$13.00				516%
	7190613270300	07/09/2007	\$13.00				516%
25	7192612524700	07/11/2007	\$13.00				516%
	7192612510200	07/11/2007	\$13.00				516%
26	7192613258600	07/11/2007	\$44.50				516%
	7193618997900	07/12/2007	\$13.00				516%
27							
28							

	Medi-Cal Claim Number	Date claim received by Medi-Cal	Amount Defendant charged Medi-Cal	Amount Medi-Cal paid	Lowest price to a private purchaser (see foregoing table)	Overcharge based on lowest charge to private purchaser	Resulting over-payment
1							
2							
3							
4							
5	7194618312600	07/13/2007	\$76.16				516%
6	7194618449800	07/13/2007	\$44.50				516%
	7197612101600	07/16/2007	\$13.00				516%
7	7197615295200	07/16/2007	\$55.04				516%
	7199613896800	07/18/2007	\$54.87				516%
8	7199613874100	07/18/2007	\$13.00				516%
	7199613870600	07/18/2007	\$13.00				516%
9	7199613729400	07/18/2007	\$13.00				516%
	7200616780200	07/19/2007	\$8.63				468%
10	7200616818700	07/19/2007	\$13.00				516%
	7201617849200	07/20/2007	\$44.50				516%
11	7201617680600	07/20/2007	\$44.50				516%
	7204612323400	07/23/2007	\$13.00				516%
12	7204612005000	07/23/2007	\$13.00				516%
	7206612032300	07/25/2007	\$44.50				516%
13	7207623503400	07/26/2007	\$54.87				516%
	7207624591200	07/26/2007	\$68.64				516%
14	7208750207000	07/27/2007	\$25.21				208%
	7208750209000	07/27/2007	\$25.21				362%
15	7208614548800	07/27/2007	\$44.50				516%
	7208614476100	07/27/2007	\$76.16				516%
16	7211613183800	07/30/2007	\$13.00				516%
	7212614404900	07/31/2007	\$13.00				516%
17	7213615280900	08/01/2007	\$13.00				516%
	7213615869500	08/01/2007	\$44.50				516%
18	7213615149100	08/01/2007	\$6.13				303%
	7214622590100	08/02/2007	\$44.50				516%
19	7218612665900	08/06/2007	\$13.00				516%
	7218612863800	08/06/2007	\$54.87				516%
20	7218614153400	08/06/2007	\$44.50				516%
	7218612851200	08/06/2007	\$54.87				516%
21	7218612583100	08/06/2007	\$54.87				516%
	7219614334400	08/07/2007	\$13.00				516%
22	7219614285000	08/07/2007	\$54.87				516%
	7220613155900	08/08/2007	\$44.50				516%
23	7220612264100	08/08/2007	\$13.00				516%
	7220613057600	08/08/2007	\$44.50				516%
24	7220613066600	08/08/2007	\$101.60				516%
	7220612302000	08/08/2007	\$13.00				516%
25	7221618526000	08/09/2007	\$101.60				516%
	7225612097300	08/13/2007	\$13.00				516%
26	7226614020400	08/14/2007	\$13.00				516%
	7226614124600	08/14/2007	\$13.00				516%
27							
28							

	Medi-Cal Claim Number	Date claim received by Medi-Cal	Amount Defendant charged Medi-Cal	Amount Medi-Cal paid	Lowest price to a private purchaser (see foregoing table)	Overcharge based on lowest charge to private purchaser	Resulting over-payment
1							
2							
3							
4							
5	7227612643700	08/15/2007	\$44.50				516%
6	7227611604600	08/15/2007	\$13.00				516%
	7228618548500	08/16/2007	\$44.50				516%
7	7228618430300	08/16/2007	\$44.50				516%
	7232612491300	08/20/2007	\$13.00				516%
8	7232612655300	08/20/2007	\$13.00				516%
	7232612296100	08/20/2007	\$54.87				516%
9	7232612270200	08/20/2007	\$54.87				516%
	7234618140400	08/22/2007	\$44.50				516%
10	7234617223500	08/22/2007	\$13.00				516%
	7234618393100	08/22/2007	\$44.50				516%
11	7236614115000	08/24/2007	\$44.50				516%
	7239612114300	08/27/2007	\$13.00				516%
12	7239613637700	08/27/2007	\$101.60				516%
	7240613921100	08/28/2007	\$101.60				516%
13	7241613756700	08/29/2007	\$44.50				516%
	7242617414100	08/30/2007	\$54.80				516%
14	7243615940600	08/31/2007	\$44.50				516%
	7247615705900	09/04/2007	\$13.00				516%
15	7247617665800	09/04/2007	\$44.50				516%
	7248614644100	09/05/2007	\$44.50				516%
16	7250620444900	09/07/2007	\$13.00				516%
	7250620756000	09/07/2007	\$13.00				516%
17	7250621128600	09/07/2007	\$13.00				516%
	7250621011100	09/07/2007	\$54.87				362%
18	7250620703700	09/07/2007	\$13.00				516%
	7250620508600	09/07/2007	\$13.00				516%
19	7257615558500	09/14/2007	\$134.56				516%
	7263616236900	09/20/2007	\$44.50				516%
20	7267619198000	09/24/2007	\$44.50				516%
	7267618513700	09/24/2007	\$13.00				516%
21	7267618514300	09/24/2007	\$13.00				516%
	7267618648400	09/24/2007	\$13.00				516%
22	7270618236800	09/27/2007	\$44.50				516%
	7271616320600	09/28/2007	\$44.50				516%
23	7274616651600	10/01/2007	\$13.00				516%
	7274616464500	10/01/2007	\$8.21				440%
24	7275618298900	10/02/2007	\$44.50				516%
	7276614122600	10/03/2007	\$13.00				516%
25	7276613992600	10/03/2007	\$8.21				440%
	7277618899200	10/04/2007	\$44.50				516%
26	7277618014800	10/04/2007	\$13.00				516%
	7277617880400	10/04/2007	\$13.00				516%
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Medi-Cal Claim Number	Date claim received by Medi-Cal	Amount Defendant charged Medi-Cal	Amount Medi-Cal paid	Lowest price to a private purchaser (see foregoing table)	Overcharge based on lowest charge to private purchaser	Resulting over-payment
7277618828700	10/04/2007	\$44.50				516%
7281615936800	10/08/2007	\$68.64				516%
7281614580900	10/08/2007	\$13.00				516%
7283619214700	10/10/2007	\$44.50				516%
7288614080800	10/15/2007	\$13.00				516%
7288613994100	10/15/2007	\$13.00				516%
7288619329300	10/15/2007	\$44.50				516%
7292614718700	10/19/2007	\$44.50				516%
7295614489500	10/22/2007	\$44.50				516%
7295612808600	10/22/2007	\$3.47				128%
7296612438100	10/23/2007	\$13.00				516%
7297613485800	10/24/2007	\$13.00				516%
7299618160800	10/26/2007	\$44.50				516%
7302619389300	10/29/2007	\$44.50				516%
7302315508300	10/29/2007	\$44.50				362%
7302616748100	10/29/2007	\$13.00				516%
7303616334300	10/30/2007	\$44.50				516%
7309615639100	11/05/2007	\$13.00				516%
7309617346400	11/05/2007	\$101.60				516%
7309615612400	11/05/2007	\$13.00				516%
7310615051900	11/06/2007	\$44.50				516%
7312617036800	11/08/2007	\$13.00				516%
7313616214900	11/09/2007	\$40.70				516%
7316612146600	11/12/2007	\$13.00				516%
7316613204600	11/12/2007	\$44.50				516%
7318613959800	11/14/2007	\$13.00				516%
7320619676200	11/16/2007	\$13.00				516%
7323619112100	11/19/2007	\$40.70				516%
7324615006500	11/20/2007	\$13.00				516%
7330621373600	11/26/2007	\$45.12				516%
7331612574000	11/27/2007	\$13.00				516%
7331612479400	11/27/2007	\$13.00				516%
7332614361000	11/28/2007	\$6.91				355%
7337621169100	12/03/2007	\$40.70				516%
7337618152500	12/03/2007	\$8.63				468%
7339614530900	12/05/2007	\$55.36				516%
7340619635600	12/06/2007	\$44.50				516%
7340619052900	12/06/2007	\$13.00				516%
7346617988600	12/12/2007	\$13.00				516%
7346617851300	12/12/2007	\$13.00				516%
7347622127400	12/13/2007	\$13.00				516%
7347622111300	12/13/2007	\$13.00				516%
7348617726100	12/14/2007	\$40.70				516%

	Medi-Cal Claim Number	Date claim received by Medi-Cal	Amount Defendant charged Medi-Cal	Amount Medi-Cal paid	Lowest price to a private purchaser (see foregoing table)	Overcharge based on lowest charge to private purchaser	Resulting over-payment
1							
2							
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5	7352611410800	12/18/2007	\$40.70				516%
6	7352611577400	12/18/2007	\$60.90				516%
7	7352610820700	12/18/2007	\$13.00				516%
8	7355618524600	12/21/2007	\$13.00				516%
9	7358608420500	12/24/2007	\$44.50				516%
10	7358608470200	12/24/2007	\$44.50				516%
11	7358605724000	12/24/2007	\$13.00				516%
12	7361613411500	12/27/2007	\$13.00				516%
13	7361613803800	12/27/2007	\$13.00				516%
14	7361613414400	12/27/2007	\$13.00				516%
15	7362618923500	12/28/2007	\$40.70				516%
16	8003624563600	01/03/2008	\$13.00				516%
17	8003627338800	01/03/2008	\$13.00				516%
18	8003627307400	01/03/2008	\$13.00				516%
19	8003627572600	01/03/2008	\$13.00				516%
20	8008614742700	01/08/2008	\$49.36				516%
21	8009632487000	01/09/2008	\$13.00				516%
22	8010619479800	01/10/2008	\$44.50				516%
23	8014615227100	01/14/2008	\$13.00				516%
24	8016620201600	01/16/2008	\$44.32				516%
25	8018617002600	01/18/2008	\$59.04				516%
26	8018616926800	01/18/2008	\$44.50				516%
27	8021612200200	01/21/2008	\$44.50				516%
28	8022611363800	01/22/2008	\$44.50				516%
	8023606201400	01/23/2008	\$13.00				516%
	8024621874000	01/24/2008	\$40.70				516%
	8024615988400	01/24/2008	\$13.00				516%
	8024621903300	01/24/2008	\$40.70				516%
	8028622060900	01/28/2008	\$40.70				516%
	8028620797800	01/28/2008	\$13.00				516%
	8032618987700	02/01/2008	\$66.08				516%
	8032618970400	02/01/2008	\$44.50				516%
	8035612673400	02/04/2008	\$13.00				516%
	8037614830400	02/06/2008	\$13.00				516%
	8037615318600	02/06/2008	\$44.50				516%
	8038626467000	02/07/2008	\$13.00				516%
	8042619257100	02/11/2008	\$13.00				516%
	8042619203500	02/11/2008	\$13.00				516%
	8043613586600	02/12/2008	\$13.00				516%
	8044615928500	02/13/2008	\$13.00				516%
	8044616049100	02/13/2008	\$13.00				516%
	8044614220100	02/13/2008	\$45.12				516%
	8044615943400	02/13/2008	\$8.21				440%

	Medi-Cal Claim Number	Date claim received by Medi-Cal	Amount Defendant charged Medi-Cal	Amount Medi-Cal paid	Lowest price to a private purchaser (see foregoing table)	Overcharge based on lowest charge to private purchaser	Resulting over-payment
1							
2							
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5	8045623605600	02/14/2008	\$13.00				516%
6	8050614447600	02/19/2008	\$40.70				516%
	8050615324300	02/19/2008	\$13.00				516%
7	8051621908700	02/20/2008	\$13.00				516%
	8051619297400	02/20/2008	\$44.50				516%
8	8052625701200	02/21/2008	\$13.00				516%
	8052624907900	02/21/2008	\$44.50				516%
9	8052625624400	02/21/2008	\$13.00				516%
	8052624807500	02/21/2008	\$44.50				516%
10	8064614108600	03/04/2008	\$44.50				516%
	8065620937800	03/05/2008	\$44.50				516%
11	8067620752000	03/07/2008	\$40.70				516%
	8070618979200	03/10/2008	\$44.50				516%
12	8070618965300	03/10/2008	\$44.50				516%
	8072617223800	03/12/2008	\$44.50				516%
13	8073619336100	03/13/2008	\$47.44				516%
	8073622069600	03/13/2008	\$13.00				516%
14	8077619813200	03/17/2008	\$40.70				516%
	8077618411400	03/17/2008	\$44.50				516%
15	8077618218000	03/17/2008	\$44.32				516%
	8077619807500	03/17/2008	\$40.70				516%
16	8080622109600	03/20/2008	\$13.00				516%
	8084614211100	03/24/2008	\$44.50				516%
17	8084613030800	03/24/2008	\$13.00				516%
	8086616430400	03/26/2008	\$40.70				516%
18	8087620710500	03/27/2008	\$8.21				440%
	8087620664900	03/27/2008	\$13.00				516%
19	8088616821400	03/28/2008	\$44.50				516%
	8091613890300	03/31/2008	\$44.50				516%
20	8092615615700	04/01/2008	\$44.50				516%
	8093617261800	04/02/2008	\$13.00				516%
21	8093617301700	04/02/2008	\$13.00				516%
	8098617690600	04/07/2008	\$6.13				303%
22	8099619223800	04/08/2008	\$13.00				516%
	8099619122600	04/08/2008	\$13.00				516%
23	8099619161400	04/08/2008	\$6.13				303%
	8099619269700	04/08/2008	\$13.00				516%
24	8099616015100	04/08/2008	\$62.40				516%
	8099616067000	04/08/2008	\$44.50				516%
25	8099619107600	04/08/2008	\$13.00				516%
	8100614111300	04/09/2008	\$13.00				516%
26	8100614378000	04/09/2008	\$13.00				516%
	8100613138900	04/09/2008	\$13.00				516%
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	Medi-Cal Claim Number	Date claim received by Medi-Cal	Amount Defendant charged Medi-Cal	Amount Medi-Cal paid	Lowest price to a private purchaser (see foregoing table)	Overcharge based on lowest charge to private purchaser	Resulting over-payment
1	8100614371300	04/09/2008	\$13.00				516%
2	8100614238900	04/09/2008	\$8.21				440%
3	8100613279700	04/09/2008	\$13.00				516%
4	8100613172100	04/09/2008	\$13.00				516%
5	8101622456400	04/10/2008	\$13.00				516%
6	8105616778200	04/14/2008	\$13.00				516%
7	8105616721600	04/14/2008	\$13.00				516%
8	8108623957900	04/17/2008	\$13.00				516%
9	8112613555500	04/21/2008	\$13.00				516%
10	8113616533500	04/22/2008	\$13.00				516%
11	8113616417000	04/22/2008	\$13.00				516%
12	8114619689600	04/23/2008	\$63.54				516%
13	8114619257900	04/23/2008	\$44.50				516%
14	8115619118800	04/24/2008	\$44.50				516%
15	8116615552700	04/25/2008	\$44.50				516%
16	8119613188600	04/28/2008	\$13.00				516%
17	8119613030000	04/28/2008	\$13.00				516%
18	8120620724400	04/29/2008	\$13.00				516%
19	8121617172000	04/30/2008	\$13.00				516%
20	8121617446300	04/30/2008	\$44.50				516%
21	8127615988200	05/06/2008	\$13.00				516%
22	8127617945400	05/06/2008	\$13.00				516%
23	8128616795300	05/07/2008	\$49.36				516%
24	8129619973000	05/08/2008	\$13.00				516%
25	8129619088000	05/08/2008	\$44.50				516%
26	8129619934000	05/08/2008	\$13.00				516%
27	8133613317500	05/12/2008	\$44.50				516%
28	8134616603800	05/13/2008	\$13.00				516%
	8134614707800	05/13/2008	\$44.50				516%
	8134614421700	05/13/2008	\$66.08				516%
	8136621612200	05/15/2008	\$13.00				516%
	8136621796700	05/15/2008	\$13.00				516%
	8140617480200	05/19/2008	\$13.00				516%
	8140617554600	05/19/2008	\$13.00				516%
	8140617451900	05/19/2008	\$13.00				516%
	8140617507500	05/19/2008	\$13.00				516%
	8141616076900	05/20/2008	\$44.50				516%
	8141615763300	05/20/2008	\$40.70				516%
	8142618368600	05/21/2008	\$13.00				516%
	8142615279000	05/21/2008	\$58.64				516%
	8142618657100	05/21/2008	\$13.00				516%
	8144271801200	05/23/2008	\$40.70				516%
	8144617274800	05/23/2008	\$44.32				516%

Medi-Cal Claim Number	Date claim received by Medi-Cal	Amount Defendant charged Medi-Cal	Amount Medi-Cal paid	Lowest price to a private purchaser (see foregoing table)	Overcharge based on lowest charge to private purchaser	Resulting over-payment
8149617418200	05/28/2008	\$44.50				516%
8150619556300	05/29/2008	\$40.70				516%
8150619545300	05/29/2008	\$47.44				516%

E. EXAMPLE 5

In addition to the foregoing tables, which show hundreds of examples of false claims submitted by Defendants, Plaintiffs have compiled the tables attached hereto as **Exhibits H-M** which show, for each of the hundreds of CPT codes on which Defendants gave a private purchaser a discount, one example of a false claim submitted by Defendants to California -- i.e., a higher charge to California for the same test under comparable circumstances. The tables also show, for each CPT code, the total number of false claims submitted during the statutory period. Plaintiffs have compiled a separate table for each of the Defendants named in this Amended Complaint.

53. At all times relevant hereto, each Defendant “knew” or acted “knowingly,” as those terms are defined in California Government Code section 12650, subdivision (b)(2), in making, presenting, or submitting false claims. In that respect, each Defendant acted:

- (a) With actual knowledge of the information; or
- (b) In deliberate ignorance of the truth or falsity of the information; or
- (c) With reckless disregard of the truth or falsity of the information

54. At all times relevant hereto, each Defendant presented false claims, as defined in California Government Code sections 12650 and 12651, by:

- (a) Knowingly presenting or causing to be presented to an officer or employee of California false claims for payment or approval of claims for Medi-Cal reimbursement; and/or,

1 (b) Knowingly making, using, or causing to be made or used false
2 records or statements to get false claims paid or approved by California for Medi-Cal
3 reimbursement; and/or

4 (c) Being a beneficiary of inadvertent submissions of false claims to
5 California, subsequently discovering the falsity of the claims, and failing to disclose the
6 false claims to California within a reasonable time after discovery of the false claims.

7 55. Each Defendant submitted electronic or paper invoices to Medi-Cal for
8 clinical laboratory testing that reflected fees higher than those charged by the Defendant
9 to other purchasers of the same lab tests, under comparable circumstances.

10 56. At all times relevant hereto, each Defendant knew that its conduct would
11 cause Medi-Cal to pay claims for the clinical laboratory tests based on fees higher than
12 those charged for the same services to other purchasers of comparable services under
13 comparable circumstances.

14 57. As a result of the foregoing, each claim for payment that did not comply
15 with Section 51501 was an overcharge, and therefore constituted a false claim in violation
16 of California's False Claims Act (Gov. Code § 12650 *et seq.*).

17 **VI. DEFENDANTS VIOLATED THE FALSE CLAIMS ACT BY PROVIDING**
18 **DISCOUNTED PRICES AS A KICKBACK IN EXCHANGE FOR THE**
19 **REFERRAL OF "PULL-THROUGH" MEDI-CAL BUSINESS**

20 58. As discussed above, Defendants violated the False Claims Act, on millions
21 of occasions, by overcharging DHCS in violation of Section 51501. Defendants also
22 violated the False Claims Act in a second way: by charging Medi-Cal for lab tests that
23 were referred to Defendants by providers because of kickbacks offered to those providers
24 by Defendants. Put differently, Defendants offered discounts on tests paid for by the
25 purchasers -- the same discounts that caused a violation of Section 51501 -- in order to
26 induce the referral of Medi-Cal business, for which Defendants charged Plaintiff
27 California, at rates far above the discounts.

1 59. Defendants’ entire business model revolves around providing these
2 kickbacks to induce referrals. Defendants depended, and continue to depend, on these
3 referrals of large volumes of Medi-Cal and other testing business to cover the losses they
4 would otherwise sustain in offering deeply discounted testing services. Moreover, by
5 offering those deeply discounted rates, Defendants have erected a nearly insurmountable
6 “loss leader” barrier to entry into the subject market, in that for a significant part of the
7 market, any would-be competitor can only attract new business by offering comparably
8 discounted services, which cannot be performed at a profit.

9 60. Defendants’ practices are unlawful as kickback schemes, strictly prohibited
10 by California’s health care providers licensing and Medi-Cal statutes. Specifically,
11 Business and Professions Code section 650 prohibits, *inter alia*, the offer or acceptance of
12 “any rebate, refund, . . . preference, . . . **discount** or other consideration, whether in the
13 form of money or otherwise, as compensation or inducement for referring patients,
14 clients, or customers.” (Emphasis added.) Welfare and Institutions Code section 14107.2
15 similarly prohibits every Medi-Cal provider from soliciting or receiving “any **kickback**,
16 bribe, or rebate, **directly or indirectly, overtly or covertly**, in cash or in valuable
17 consideration of any kind . . . [i]n return for the referral, or promised referral, of any
18 person for the furnishing . . . of any service” covered by the Medi-Cal program.
19 (Emphasis added.) Kickback schemes are also prohibited in Federal health care programs
20 pursuant to 42 U.S.C. § 1320a-7b(b)(2)(A).

21 61. At all times relevant hereto, each Defendant knew that California law
22 prohibited their giving or receiving these kickbacks. Defendants certified, both explicitly
23 and implicitly, that each claim they submitted to Medi-Cal would fully comply with all
24 statutes and regulations, including the anti-kickback provisions, and that as Medi-Cal
25 providers, they would comply with all pertinent statutes and regulations, including the
26 anti-kickback provisions.
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1 62. Each claim submitted to DHCS that was referred to Defendants by a
2 provider who received discounts from Defendants constitutes a false claim in violation of
3 California’s False Claims Act (Gov. Code § 12650 *et seq.*).

4 **A. EVIDENCE OF KICKBACKS**

5 63. Plaintiffs have compiled abundant specific facts and evidence showing that
6 QUEST knowingly uses discounted pricing as an illegal kickback to induce the referral of
7 pull-through Medi-Cal business, and that the pull-through Medi-Cal and other business is
8 used to make up for profits lost as a result of offering the discounts. QUEST has
9 designated much of this evidence as “confidential,” in order to prevent it from being
10 disclosed. Accordingly, the evidence is attached as **Exhibits N-Z** to this Complaint,
11 which Plaintiffs file under seal, and Plaintiffs redact all discussion of the facts and
12 evidence in the publicly-filed version of this Amended Complaint.

13 64. For example, QUEST regularly produces **pull-through reports** (which
14 QUEST also refers to as “account profitability” reports) on its customers, which detail the
15 amount of revenue and profits derived from pull-through. The phrase “pull-through,” in
16 fact often appears in the reports. QUEST uses these reports to analyze whether its
17 customers are providing enough pull-through Medi-Cal and other business to justify the
18 discounts given to those customers as kickbacks.

19 65. The reports typically lay out the amount of revenue derived from each
20 customer, broken down by payment source (often referred to as “payor” type), and
21 specifically breaking out money received from the government. In other words, as
22 described above, lab tests ordered by the same medical provider, and all sent to QUEST,
23 will be paid for by different entities. Some of the lab tests will be paid for directly by the
24 provider, or the IPA of which the provider is a member. These are the tests that are
25 heavily discounted by QUEST. Billing the providers directly is usually referred to by
26 QUEST as “Client” billing, or as “IPA” billing, and the revenue from those sources is
27 usually referred to as “Client” or “IPA” revenue. Because discounts are given on these
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1 tests, Client or IPA revenue is often very low, even below cost in many cases. “[W]hen a
2 laboratory offers or gives an item or service for free **or less than fair market value to a**
3 **referral source, an inference arises that the item or service is offered to induce the**
4 **referral of business.”** OIG Advisory Opinion No. 08-06 (emphasis added) (**Exhibit**
5 **AA**).

6 66. Other tests ordered by the provider are billed by QUEST to Medi-Cal.
7 Because QUEST charges Medi-Cal far more than it charges the providers, Medi-Cal
8 revenues are typically, if not always, much higher than Client or IPA revenue.

9 67. The higher margins QUEST makes on Medi-Cal billing and others thus
10 make up for the losses QUEST takes on the Client and IPA billing. By using “pull-
11 through” or “account profitability” reports, QUEST keeps careful track of these figures to
12 ensure that each customer is sending QUEST enough Medi-Cal and other business to
13 make up for the low margins QUEST makes on the CLIENT and IPA billing for that
14 customer. In short, the reports show that the California government and, therefore,
15 taxpayers, are paying for the discounted prices given to private purchasers.

16 68. For example, in a pull-through report attached **Exhibit N**, Quest lists
17 approximately 50 customers, and for each customer, lists the following information
18 (among other information), in a spreadsheet format:

Information:	Abbreviation on Report:	Location on Report:
Total Revenue	“Total Rev”	First Page, Third Column
Total Accessions	“Total Accns”	First Page, Fifth Column
Client Revenue	“CL_REV”	First Page, Ninth Column
Client Accessions	“CLIAACCNS”	Third Page, Tenth Column
IPA Revenue	“IPA_REV”	Second Page, Fourth Column
IPA Accessions	“IPA Accns”	First Page, Sixth Column
Medi-Cal Revenue	“MCAL_REV”	Second Page, Second Column
Medi-Cal Accessions	“MCALACCNS”	Fourth Page, Third Column

1 69. An “accession” is a group of tests, ordered at one time, for one patient.
2 Multiple tests are often ordered for the same patient, so an “accession” usually includes
3 an average of two to three lab tests. In the lab industry, revenue, costs, and profits are
4 often measured and reported on a per-accession basis. The average number of tests per
5 accession does not vary significantly based on the payor.

6 70. This pull-through report thus shows, for each customer, how much profit
7 the customer is generating for QUEST with pull-through business. The pull-through
8 report also gives the total figures for all customers on the report, as follows:

Information:	Totals:
Total Revenue	██████████
Total Accessions	██████
Client Revenue	██████████
Client Accessions	██████
IPA Revenue	██████████
IPA Accessions	██████
Medi-Cal Revenue	██████████
Medi-Cal Accessions	██████

17 71. Thus, for this group of physicians, QUEST made more, in total dollars,
18 from charges to Medi-Cal, than it did from charging the physicians and IPA, combined.
19 More importantly, QUEST made the same amount from the two groups even though it
20 billed the physicians and IPA for **more than six times as many** accessions as it billed
21 Medi-Cal for. Put differently, QUEST made approximately six times as much revenue
22 when it billed Medi-Cal, as when it billed the customers to which it gave discounts.
23 QUEST received from the IPA an average of ██████ per accession, from direct Client
24 billing an average of ██████ per accession, **and from Medi-Cal an average of ██████ per**
25 **accession.**

26 72. Again, QUEST creates these pull-through reports in order to ensure that the
27 discounts it provides to its customers are inducing a sufficient amount of Medi-Cal and
28

1 other lucrative pull-through business. For customers that are not providing a sufficient
2 volume of Medi-Cal and other pull-through, QUEST threatens those customers with
3 revocation of discounts, or revokes the discounts.

4 73. Another QUEST spreadsheet, plainly entitled “PULL THROUGH
5 REPORT [AT] REVIEW,” provides an even more-stark example of Quest’s use of heavy
6 discounts on Client billing to induce the referral of Medi-Cal pull-through. In fact, this
7 pull-through report, attached as **Exhibit O**, shows that QUEST’s discounts to clients were
8 so steep that QUEST **lost money** on the discounts, but made up those losses by over-
9 billing Medi-Cal.

10 74. Specifically, the pull-through report attached as **Exhibit O**, dated December
11 31, 2004, provides, among other data, for each customer, the average revenue per
12 accession for accessions billed to the client, for accession billed to the IPA, and for
13 accessions billed to Medi-Cal. [REDACTED]

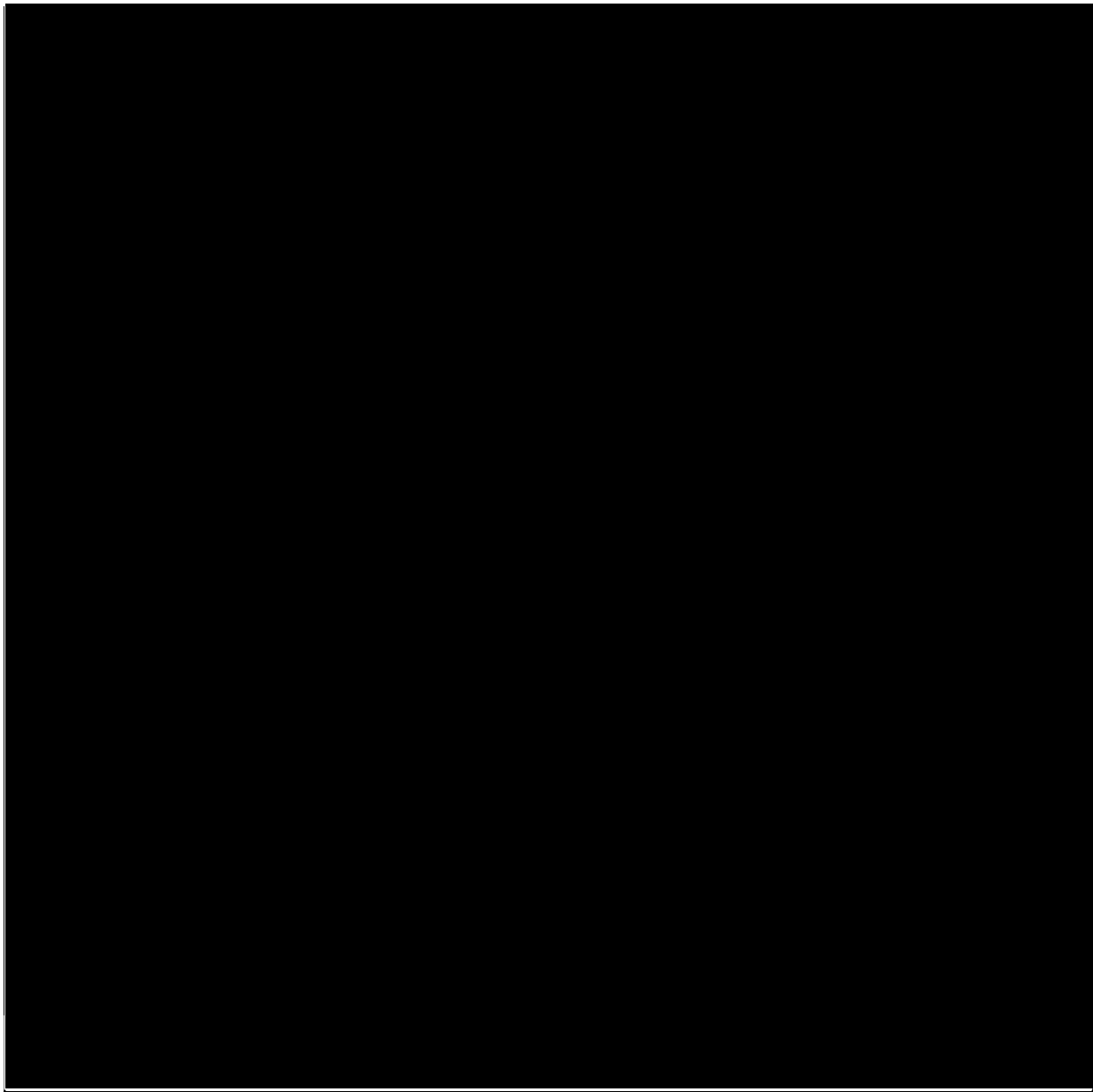
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]

19 [REDACTED] **In other words, QUEST billed**
20 **Medi-Cal twice as much as it billed the IPA, for one-twentieth of the work.** The
21 foregoing figures are highlighted in the report attached as **Exhibit O**.

22 75. All 182 customers contained in the report show a similar pattern, as
23 summarized in the following chart, which summarizes the data for the next 10 customers:

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76. QUEST thus actively tracks the amount of pull-through generated by each customer, to ensure that discounts given to those customers as an inducement to refer pull-through business are having the intended effect. QUEST begins this tracking process from the outset, when QUEST first opens a new account. QUEST's sales staff conduct a rough analysis of the revenue that a new account is anticipated to produce, including the amount of pull-through revenue. Generally speaking, the higher the anticipated pull-through revenue, the greater the discount QUEST offers the customer for direct-bill tests.

1 Evidence of this analysis is seen in **Exhibit P**, which is one of QUEST’s electronic
2 account set-up forms. The second page of the form contains the following fields:



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8 77. This illegal kickback scheme is further confirmed by former QUEST
9 personnel, who have reported, for example, that during the period between 2001 and
10 2004, QUEST informed its sales personnel that QUEST provided discounted fees on
11 laboratory tests to members of the Council of Community Clinics (“CCC”), the
12 Southwest Community Clinic in Santa Rosa, the Petaluma Health Center and many
13 others, in order to capture their “pull through,” *i.e.*, higher paying Medi-Cal and other
14 referrals. A former salesperson for QUEST and UNILAB, Michael Delzell, provided the
15 following account of QUEST’s practices:

16 In order to secure the business and referrals of these medical
17 providers, Quest offers deeply discounted prices, often below cost,
18 for those tests that the medical providers pay for directly. The
19 medical providers thereby lower their costs, and can increase their
20 profits. In exchange for these discounts, with very rare exceptions,
the medical providers refer all of their patients to Quest, including
Medi-Cal patients. These referrals, obtained in exchange for
discounts, are referred to by industry insiders as “pull-through.”

21 During my tenure at Quest and Unilab, it was common
22 practice for both companies to extend deep discounts on testing
23 based on the volume of anticipated pull-through of Medi-Cal,
24 Medicare and third-party insurance. Many of the discounted prices
25 were well below Medi-Cal rates. Clients were told that they would
26 have to support the lab with their Medi-Cal, Medicare and third-party
27 insurance patients to maintain the deeply discounted prices. The
sales force was required to justify the discounts based on the amount
of pull-through, and track the amount of pull-through of the account
to ensure that the pull-through resulted in an overall profit from the
client. This practice was supported by management at Unilab, and
continued with Quest. I never received any indication that the
discounts being offered were to be offered the Medi-Cal program.

28 *See Exhibit Q.* These practices occurred from November 1995 to the present.

1 **B. USE OF “CAPITATED” RATES AS KICKBACKS TO INDUCE**
2 **PULL-THROUGH**

3 78. As discussed in Section V above, Defendants charge providers and groups
4 of providers much lower prices than Defendants charge Medi-Cal for the exact same lab
5 tests. These per-test charges are known as “fee for service” (“FFS”) charges. In addition
6 to providing the deep FFS discounts described above, Defendants also provide deep
7 discounts through a different mechanism for charging customers, based on “capitated”
8 rates for lab services. A capitated rate is a fixed price charged by the lab, for all lab test
9 services, per patient, usually on a monthly basis. In the lab setting, these capitated rates
10 are commonly offered by labs to IPAs. Thus, for example, a given IPA may have 1,000
11 patient members. QUEST will offer the IPA a capitated rate of \$1.00. The IPA therefore
12 pays QUEST \$1,000 per month (\$1.00 per member x 1000 members), for **all** the lab tests
13 that the IPA’s physicians order for those member patients in any given month.

14 79. QUEST has used these capitated arrangements as a way to provide
15 customers with even deeper discounts than the FFS discounts, and do so in a way that is
16 more difficult for California to detect. Because QUEST charges Medi-Cal on a FFS
17 basis, more analysis is required to determine whether a discounted capitated rate has
18 caused QUEST to violate Section 51501. However, the discounted capitated rates
19 charged by QUEST to its private purchasers have indeed caused QUEST to violate
20 Section 51501 and the California False Claims Act.

21 80. Moreover, as with FFS discounts, QUEST uses the discounted capitated
22 rates in order to induce referral of Medi-Cal pull-through business, in violation of the
23 anti-kickback statutes, and the California False Claims Act. The capitated rates offered
24 by QUEST are in many, if not most, cases, so low that QUEST loses money on the
25 capitated arrangements. QUEST provides the capitated prices, however, as an
26 inducement to its customers to refer all of their lab testing business to QUEST, including
27 Medi-Cal business, which QUEST charges on a lucrative, FFS basis. As with the FFS
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discounts, if a customer who received discounted capitated rates is not referring enough pull-through business to QUEST, QUEST will “pull,” or threaten to pull, the discounted capitated rates from that customer.

81. QUEST closely monitors its capitated arrangements to ensure that they are producing enough profitable pull-through business to justify their existence. For example, in a report entitled “San Jose Medical Group: June-Aug Average,” attached to this Complaint as **Exhibit R**, QUEST tracked the following data:

Information:	Abbreviation on Report:
Capitated Rate	“Cap Rate”
Number of member patients covered by the Capitated Rate	“Lives”
Capitated Revenue (i.e., the Capitated Rate multiplied by the number of member patients)	“Cap Revenue”
Capitated Accessions (i.e., the number of accessions performed for the capitated member patients)	“Cap Accns”
Average revenue per Capitated Accession	“Cap Rev/Accns”
Pull-Through Revenue	“Non-Cap Rev”
Number of Pull-Through Accessions	“Non-Cap Accns.”
Average revenue per Pull-Through Accession	“Non-Cap Rev./Accns”

82. The data in the report shows that QUEST made very little revenue on the tests performed for capitated patients, but made up for that revenue based on the pull-through, which typically includes tests billed to Medi-Cal. For example, in August, the data for the customer was as follows:

Information:	Abbreviation on Report:
Capitated Rate	████
Number of member patients covered by the Capitated Rate	████
Capitated Revenue	████
Capitated Accessions	████
Average revenue per Capitated Accession	████
Pull-Through Revenue	████

Information:	Abbreviation on Report:
Number of Pull-Through Accessions	████
Average revenue per Pull-Through Accession	████

83. QUEST thus made **more than eleven times as much** revenue from the pull-through business than it made on the capitated business, on only approximately 50% more accessions. Because San Jose Medical Group referred QUEST so much pull-through business, the report recommended that the customer be given a **further discount**, by decreasing the capitated rate from █████, to █████.

84. Another QUEST pull-through report, entitled “the ZELLERnator,” conducts a similar analysis, and in addition, shows that in most cases QUEST’s capitated rates are so low that QUEST **loses money** on them. The “ZELLERnator” lists 68 IPA customers (two sets of 34), and for each lists the following data (among other data):

Information:	Abbreviation on Report:	Location on Report:
Capitated Rate	“Current Blend Rate”	First Page, Third Column
Capitated Revenue	“Cap Rev”	First Page, Fourth Column
Capitated Requisitions	“Cap Reqs”	First Page, Eighth Column
Cost of Capitated Testing	“Cap COT”	Second Page, Second Column
Profit Margin on Capitated Business	“Cap CM”	Second Page, Fourth Column
Pull-through FFS Revenue	“FFS Spec Rev”	First Page, Sixth Column
Pull-through FFS Requisitions	“FFS Reqs”	Second Page, First Column
Cost of FFS Testing	“FFS COT”	Second Page, Third Column
Profit Margin on FFS Pull-Through	“FFS CM”	Second Page, Fifth Column

85. The “ZELLERnator” is attached hereto as **Exhibit S**. The first five pages of the Exhibit, when placed side-by-side, pertain to the first 34 IPAs analyzed, and the last four pages, when placed side-by-side, pertain to the second set of 34 IPAs analyzed.

1 86. The data in the “ZELLERnator” shows that for almost every customer,
 2 QUEST lost money on the discounted capitated rates paid by the customers, **but made up**
 3 **for those losses with the FFS pull-through business**, which is paid for **by Medi-Cal**
 4 and other third-party payors. For the first customer on the list, “GNP,” for example, the
 5 data is as follows:

Information:	Total:
Capitated Rate	██████
Capitated Revenue	██████
Capitated Requisitions	██████
Cost of Capitated Testing	██████
Profit Margin on Capitated Business	██████████████████
Pull-through FFS Revenue	██████
Pull-through FFS Requisitions	██████
Cost of FFS Testing	██████
Profit Margin on FFS Pull-Through	██████

15 87. The second customer on the list, “ADOC,” shows the same pattern, as
 16 follows:

Information:	Total:
Capitated Rate	██████
Capitated Revenue	██████
Capitated Requisitions	██████
Cost of Capitated Testing	██████
Profit Margin on Capitated Business	██████████████████
Pull-through FFS Revenue	██████
Pull-through FFS Requisitions	██████
Cost of FFS Testing	██████
Profit Margin on FFS Pull-Through	██████

1 88. **In total, of the 68 customers listed on this copy of the “ZELLERnator,”**
2 **46 reported a loss on the capitated rates offered to the customers. All 68 reported**
3 **substantial profits on the pull-through business.**

4 89. QUEST thus provides loss-leader discounts to its customers using capitated
5 rates, in order to induce the referral of pull-through business paid for by Medi-Cal and
6 other third-party payors. QUEST does not offer the same discounts to Medi-Cal, and is
7 therefore able to make great profits on the pull-through, and make up for the losses on the
8 discounted capitated rates. This is an illegal kickback scheme, no more legal than if
9 QUEST, rather than providing below-cost discounts, had instead simply handed the
10 customers an envelope of cash.

11 90. As mentioned, if a customer does not refer enough Medi-Cal and other pull-
12 through business to QUEST, QUEST does not offer, or discontinues, the discounted rates.
13 Because it knows this practice is illegal, QUEST rarely discusses the practice in
14 documents with an external audience. There are exceptions, however. For example, in a
15 November 1, 2006 contract with Council Connections, a nation-wide GPO, QUEST
16 agreed to provide heavily-discounted FFS rates for all testing performed for that group’s
17 patient members. In exchange for providing the discounted rates, however, QUEST
18 included a contractual provision requiring all of the providers who belonged to the group
19 to refer **at least 80%** of their business to QUEST.

20 91. This 80% minimum referral requirement does not by its terms exclude
21 Medi-Cal referrals. In fact, it would be impossible for many providers to meet such a
22 requirement without referring their Medi-Cal business. While a later section of the
23 contract, 11.7, contains a self-serving disclaimer of intent to induce the referral of
24 Medi-Cal business, that disclaimer, in light of the plain covenants in the contract, only
25 serves to show that QUEST knew that its conduct was illegal. A true and correct copy of
26 the Council Connections contract, with the 80% requirement highlighted in section 1.5, is
27 attached as **Exhibit T**.

1 92. As the many pull-through reports already in Plaintiffs' possession show (a
2 variety of QUEST pull-through reports, in addition to those described above, are attached
3 as **Exhibits U-Z** to this Amended Complaint), providing kickbacks in the form of loss-
4 leader FFS and capitated rate discounts has been, and continues to be, the core of
5 QUEST's business model. As discussed in greater detail in the following section, this
6 business model is unlawful.

7 **C. PROVIDING DISCOUNTS TO INDUCE MEDICAL REFERRALS**
8 **CONSTITUTES AN ILLEGAL KICKBACK**

9 93. Defendants' practices are unlawful as kickback schemes, in violation of
10 Business and Professions Code section 650, and Welfare and Institutions Code
11 section 14107.2. Section 650 prohibits, *inter alia*, the offer or acceptance of "any rebate,
12 refund, . . . preference, . . . **discount** or other consideration, whether in the form of money
13 or otherwise, as compensation or inducement for referring patients, clients, or customers."
14 (Emphasis added.) Welfare and Institutions Code section 14107.2 similarly prohibits
15 every Medi-Cal provider from soliciting or receiving "any **kickback**, bribe, or rebate,
16 **directly or indirectly, overtly or covertly**, in cash or in valuable consideration of any kind
17 . . . [i]n return for the referral, or promised referral, of any person for the furnishing . . . of
18 any service" covered by the Medi-Cal program. (Emphasis added.)

19 94. Kickback schemes are also prohibited in Federal health care programs
20 pursuant to 42 U.S.C. § 1320a-7b(b)(2)(A), which contains almost identical language,
21 prohibiting the offer of "any remuneration (including any kickback, bribe, or rebate)
22 directly or indirectly, overtly or covertly, in cash or in kind to any person to induce such
23 person . . . to refer an individual to a person for the furnishing or arranging for the
24 furnishing of any item or service for which payment may be made in whole or in part
25 under a Federal health care program . . ."

26 95. Interpretations of this language by the federal authorities provide useful
27 guidance in applying the virtually-identical California laws, and establish that QUEST
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1 has violated the California anti-kickback laws through the conduct described above. For
2 example, the federal Department of Health and Human Services, Office of the Inspector
3 General, reaffirmed just last year, on May 9, 2008, that: “[W]hen a laboratory offers or
4 gives an item or service for free **or less than fair market value to a referral source, an**
5 **inference arises that the item or service is offered to induce the referral of business.**”
6 OIG Advisory Opinion No. 08-06 (**Exhibit AA**). An anti-kickback “violation arises if
7 the discount whatever its size is **implicitly or explicitly tied** to referrals of” government-
8 funded business. OIG Opinion Letter, April 26, 2000 (**Exhibit BB**).

9 96. Defendants both implicitly and explicitly tied the discounts it provided to
10 the referral of Medi-Cal business. Accordingly, Defendants violated California’s anti-
11 kickback provisions. Defendants presented to Medi-Cal claims for reimbursement of
12 laboratory tests, the referral of which was induced, in whole or in part, directly or
13 indirectly, overtly or covertly, by the provision of discounts. Each of those claims
14 constitutes a violation of the California False Claims Act.

15 97. The following table provides an example of a few of the claims submitted
16 by Defendants to Medi-Cal that constitute false claims because their referral to
17 Defendants was induced by Defendants’ provision of kickbacks in the form of FFS
18 discounts. Specifically, in January 2000, UNILAB provided Open Door Health Center
19 (“Open Door”), in Arcata, California, with deep FFS discounts. During the same time
20 period, Open Door Health Center referred pull-through lab test business to UNILAB, for
21 much of which UNILAB billed Medi-Cal. When UNILAB billed Medi-Cal for these
22 tests referred by Open Door, UNILAB charged Medi-Cal far more than the discounted
23 rates UNILAB charged Open Door. Each of those charges to Medi-Cal constituted a
24 false claim under the California False Claims Act. The following chart provides a sample
25 of the discounts UNILAB provided to Open Door, and the false claims submitted by
26 UNILAB for performing tests referred by Open Door as a result of the illegal inducement:
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CPT Code	Discounted Amount Charged to Open Door by UNILAB to Induce Referral	Date of Discount	Amount Charged to Medi-Cal by UNILAB for Test Referred by Open Door	Amount Paid by Medi-Cal to UNILAB for Test Referred by Open Door	Medi-Cal Claim Number	Claim Paid Date
80049		1/3/01	\$40.25		0060607517601	3/6/00
80049		1/3/01	\$35.21		1025610883705	1/29/01
80053		1/3/01	\$53.50		1030608069703	2/5/01
80053		1/3/01	\$53.50		1030608065004	2/5/01
80053		1/3/01	\$53.50		1030608022504	2/5/01
80053		1/3/01	\$53.50		1030608069603	2/5/01
80053		1/3/01	\$53.50		1030607757202	2/5/01
80054		1/3/01	\$49.66		0301608715303	10/30/00
80054		1/3/01	\$49.66		1037608066803	2/13/01
80054		1/3/01	\$49.66		1029606623304	2/5/01
80058		1/3/01	\$48.42		1029606690503	2/5/01
80061		1/3/01	\$42.25		0140624622101	5/22/00
80061		1/3/01	\$42.25		0152611592001	6/5/00
80061		1/3/01	\$73.43		0347608357201	12/18/00
80061		1/3/01	\$73.43		1037608066801	2/13/01
80061		1/3/01	\$42.25		0144607591301	5/30/00
80061		1/3/01	\$73.43		0355614011101	12/26/00
80061		1/3/01	\$42.25		0145612616401	5/30/00
80076		1/3/01	\$56.50		0349611345201	12/18/00
80076		1/3/01	\$56.50		0354607611101	12/26/00
80156		1/3/01	\$88.00		0201612613902	7/24/00
80185		1/3/01	\$82.50		0347608325601	12/18/00
82055		1/3/01	\$87.00		0349611346001	1/2/01
82947		1/3/01	\$3.82		0201612613905	7/24/00
82947		1/3/01	\$5.75		0152611592005	6/5/00
82947		1/3/01	\$25.00		0144607591302	5/30/00
82947		1/3/01	\$4.11		0144607591506	5/30/00
82947		1/3/01	\$7.44		0145612616405	5/30/00
83036		1/3/01	\$40.00		0052606461301	2/28/00
83036		1/3/01	\$62.80		0311606555001	12/11/00
83036		1/3/01	\$62.80		0349611401101	12/18/00
83036		1/3/01	\$40.00		0152611592002	6/5/00
83036		1/3/01	\$62.80		1004608279502	1/8/01
83036		1/3/01	\$62.80		0355614011103	12/26/00
84144		1/3/01	\$91.50		0315608692505	12/11/00
84146		1/3/01	\$99.50		0144607589604	5/30/00

CPT Code	Discounted Amount Charged to Open Door by UNILAB to Induce Referral	Date of Discount	Amount Charged to Medi-Cal by UNILAB for Test Referred by Open Door	Amount Paid by Medi-Cal to UNILAB for Test Referred by Open Door	Medi-Cal Claim Number	Claim Paid Date
84146		1/3/01	\$104.50		0315608692506	12/11/00
84439		1/3/01	\$91.25		0304607013703	11/27/00
84443		1/3/01	\$70.25		0144607591503	5/30/00
84443		1/3/01	\$70.25		0144607592101	5/30/00
84443		1/3/01	\$70.25		0144607589601	5/30/00
84443		1/3/01	\$88.00		0304607013702	11/27/00
84443		1/3/01	\$70.25		0145612616402	5/30/00
84443		1/3/01	\$88.00		0356608712702	12/26/00
84443		1/3/01	\$88.00		0315608692502	12/11/00
85025		1/3/01	\$36.30		0301608715301	10/30/00
85025		1/3/01	\$10.74		0125610116801	5/8/00
85025		1/3/01	\$30.75		0140624622102	5/22/00
85025		1/3/01	\$36.30		0362612725601	1/2/01
85025		1/3/01	\$36.30		1004608325101	1/8/01
85025		1/3/01	\$36.30		1004608279501	1/8/01
85025		1/3/01	\$36.30		0355614011102	12/26/00
85025		1/3/01	\$36.30		1004608324601	1/8/01
85025		1/3/01	\$30.75		0144607591502	5/30/00
85025		1/3/01	\$36.30		1025610883701	1/29/01
85025		1/3/01	\$36.30		0304607013701	11/27/00
85025		1/3/01	\$36.30		0321609578901	11/20/00
85025		1/3/01	\$36.30		0356608712701	12/26/00
86704		1/3/01	\$77.00		1025610883703	1/29/01
86803		1/3/01	\$119.08		0201612613901	7/24/00
86803		1/3/01	\$119.08		1004608279503	1/8/01
86803		1/3/01	\$119.08		0201612623501	7/24/00
86880		1/3/01	\$31.10		0363609420803	1/22/01
87081		1/3/01	\$24.75		0094606983401	4/10/00
87340		1/3/01	\$77.00		1025610883702	1/29/01

98. Over the period covered by this Amended Complaint, Defendants submitted millions of claims that, such as those in the examples in the foregoing table, constituted false claims because they were the result of illegal kickbacks.

1 **VII. DEFENDANTS KNEW THAT ITS PRACTICES WERE ILLEGAL**

2 99. Defendants knew that the foregoing practices were illegal. Accordingly, in
3 its official policy documents, Defendants have been careful to feign compliance with the
4 law. Their actual practices, however, as described above, violated the law, and
5 Defendants' official policies. Accordingly, Defendants' official policies only serve to
6 demonstrate that Defendants knowingly violated the law.

7 100. The policies also establish that Defendants' management played an active
8 role in all decisions regarding discounted pricing. Because Defendants have claimed that
9 its official policies are confidential, Plaintiffs cannot provide more details in the public
10 portion of this Complaint. However, the policy documents establishing Defendants'
11 knowledge of the illegality of its practices, and the involvement of Defendants'
12 management in these practices, are evidenced in **Exhibits CC-GG**.

13 **VIII. CAUSES OF ACTION**

14 **FIRST CAUSE OF ACTION**

15 **(Against All Defendants)**

16 **California False Claims Act, Presenting False Claims**

17 **California Government Code § 12651(a)(1)**

18 101. Plaintiffs incorporate herein by reference and reallege the allegations in
19 Paragraphs 1 through 100, inclusive, of this Complaint.

20 102. Defendants, and each of them, knowingly (as defined in California
21 Government Code section 12650, subdivision (b)(2)) presented or caused to be presented
22 false claims for payment or approval to an officer or employee of California.

23 103. Each Defendant knowingly made, used, and/or caused to be made and used
24 false records and statements, including but not limited to claims, bills, invoices, requests
25 for reimbursement, and records of services, in order to obtain payment or approval of
26 charges to the Medi-Cal program that were higher than they were permitted to claim or
27 charge by applicable law, including but not limited to section 51501 of title 22 of the
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1 California Code of Regulations. Among other things, Defendants, and each of them,
2 charged more for services than would have been charged for the same services to other
3 purchasers of comparable services under comparable circumstances.

4 104. Each Defendant knowingly submitted false claims for Medi-Cal business
5 that was obtained by means of, and as a result of, illegal kickbacks.

6 105. Each Defendant knowingly made, used, and caused to be made and used
7 false certifications that the services for which it charged Medi-Care were rendered in full
8 compliance with all applicable statutes and regulations.

9 106. The conduct of Defendants, and each of them, violated Government Code
10 section 12651, subdivision (a)(1) and caused California to sustain damages in an amount
11 according to proof pursuant to California Government Code section 12651, subdivision
12 (a).

13 **SECOND CAUSE OF ACTION**

14 **(Against All Defendants)**

15 **California False Claims Act, Making or Using False Records or Statements**

16 **To Obtain Payment or Approval of False Claims**

17 **California Government Code § 12651(a)(2)**

18 107. Plaintiffs incorporate herein by reference and reallege the allegations stated
19 in Paragraphs 1 through 100, inclusive, of this Complaint.

20 108. Defendants, and each of them, knowingly (as defined in California
21 Government Code section 12650, subdivision (b)(2)) made, used, or caused to be made or
22 used false records or statements to get false claims paid or approved by California.

23 109. Each Defendant knowingly made, used, and/or caused to be made and used
24 false records and statements, including but not limited to claims, bills, invoices, requests
25 for reimbursement, and records of services, in order to obtain payment or approval of
26 charges to the Medi-Cal program that were higher than they were permitted to claim or
27 charge by law, including but not limited to section 51501 of title 22 of the California
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1 Code of Regulations. Among other things, Defendants, and each of them, charged more
2 for services than would have been charged for the same services to other purchasers of
3 comparable services under comparable circumstances.

4 110. Each Defendant knowingly submitted false claims for Medi-Cal business
5 that was obtained by means of, and as a result of, illegal kickbacks.

6 111. Each Defendant knowingly made, used, and caused to be made and used
7 false certifications that the services for which it charged Medi-Cal were rendered in full
8 compliance with all applicable statutes and regulations.

9 112. The conduct of Defendants, and each of them, violated Government Code
10 section 12651, subdivision (a)(2) and caused California to sustain damages in an amount
11 according to proof pursuant to Government Code section 12651, subdivision (a).

12 **THIRD CAUSE OF ACTION**

13 **(In the Alternative, Against All Defendants)**

14 **California False Claims Act, Retention of Proceeds**

15 **Of Inadvertently Submitted False Claims**

16 **California Government Code § 12651(a)(8)**

17 113. Plaintiffs incorporate herein by reference and reallege the allegations stated
18 in Paragraphs 1 through 100, inclusive, of this Complaint.

19 114. In the alternative, Defendants, and each of them, was a beneficiary of
20 inadvertent submissions of false claims to California, subsequently discovered the falsity
21 of the claims, and failed to disclose the false claims to California within a reasonable time
22 after discovery of the false claims.

23 115. Each Defendant was the beneficiary of false claims, bills and charges to the
24 Medi-Cal program for amounts that were higher than permitted by law, including but not
25 limited to section 51501 of title 22 of the California Code of Regulations. Among other
26 things, Defendants, and each of them, were the beneficiaries of false bills and charges to
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1 the Medi-Cal program for more than would have been charged for the same services to
2 other purchasers of comparable services under comparable circumstances.

3 116. Each Defendant was the beneficiary of false claims for Medi-Cal business
4 that was obtained by means of, and as a result of, illegal kickbacks.

5 117. Each Defendant was the beneficiary of false certifications that the services
6 for which it charged Medi-Cal were rendered in full compliance with all applicable
7 statutes.

8 118. Each Defendant, on discovering that it was the beneficiary of the
9 submission of false claims for Medi-Cal reimbursement, failed promptly to disclose the
10 overcharge to California and failed to make restitution of payments to which it was not
11 entitled.

12 119. The conduct of Defendants, and each of them, violated Government Code
13 section 12651, subdivision (a)(8) and caused California to sustain damages in an amount
14 according to proof pursuant to Government Code section 12651, subdivision (a).

15 **FOURTH CAUSE OF ACTION**

16 **(Against Defendant QUEST-DE)**

17 **Common Count: Mistaken Receipt**

18 120. Plaintiff California incorporates herein by reference and realleges the
19 allegations in Paragraphs 1 through 100, inclusive, of this Complaint.

20 121. Defendant QUEST-DE has become indebted to Plaintiff State of California
21 in that California paid defendant the sum of \$20,784,866.52 by mistake, and Defendant
22 QUEST-DE did not have a right to that money.

23 122. Neither the whole nor any part of this \$20,784,866.52 has been returned by
24 Defendant QUEST-DE to California, though demand for it has been made, and there is
25 now due, owing, and unpaid the sum of \$36,864,055.48 (which includes simple interest at
26 7 percent per annum through November 30, 2009 of \$16,079,188.96), plus simple interest
27 on the \$36,864,055.48 at 7 percent per annum from December 1, 2009.

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FIFTH CAUSE OF ACTION
(Against Defendant QUEST-NICHOLS)

Common Count: Mistaken Receipt

123. Plaintiff California incorporates herein by reference and realleges the allegations in Paragraphs 1 through 100, inclusive, of this Complaint.

124. Defendant QUEST-NICHOLS has become indebted to Plaintiff State of California in that California paid defendant the sum of \$1,162,870.75 by mistake, and Defendant QUEST-NICHOLS did not have a right to that money.

125. Neither the whole nor any part of this \$1,162,870.75 has been returned by Defendant QUEST-NICHOLS to California, though demand for it has been made, and there is now due, owing, and unpaid the sum of \$1,862,354.37 (which includes simple interest at 7 percent per annum through November 30, 2009 of \$699,483 .62), plus simple interest on the \$1,862,354.37 at 7 percent per annum from December 1, 2009.

SIXTH CAUSE OF ACTION
(Against Defendant QUEST-NV)

Common Count: Mistaken Receipt

126. Plaintiff California incorporates herein by reference and realleges the allegations in Paragraphs 1 through 100, inclusive, of this Complaint.

127. Defendant QUEST-NV has become indebted to Plaintiff State of California in that California paid defendant the sum of \$22,190.84 by mistake, and Defendant QUEST-NV did not have a right to that money.

128. Neither the whole nor any part of this \$22,190.84 has been returned by Defendant QUEST-NV to California, though demand for it has been made, and there is now due, owing, and unpaid the sum of \$23,465.67 (which includes simple interest at 7 percent per annum through November 30, 2009 of \$1,274.83), plus simple interest on the \$23,465.67 at 7 percent per annum from December 1, 2009.

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SEVENTH CAUSE OF ACTION
(Against Defendant QUEST CLINICAL)

Common Count: Mistaken Receipt

129. Plaintiff California incorporates herein by reference and realleges the allegations in Paragraphs 1 through 100, inclusive, of this Complaint.

130. Defendant QUEST CLINICAL has become indebted to Plaintiff State of California in that California paid defendant the sum of \$31,744,005.63 by mistake, and Defendant QUEST CLINICAL did not have a right to that money.

131. Neither the whole nor any part of this \$31,744,005.63 has been returned by Defendant QUEST CLINICAL to California, though demand for it has been made, and there is now due, owing, and unpaid the sum of \$50,511,568.33 (which includes simple interest at 7 percent per annum through November 30, 2009 of \$18,767,562.70), plus simple interest on the \$50,511,568.33 at 7 percent per annum from December 1, 2009.

EIGHTH CAUSE OF ACTION
(Against Defendant UNILAB)

Common Count: Mistaken Receipt

132. Plaintiff California incorporates herein by reference and realleges the allegations in Paragraphs 1 through 100, inclusive, of this Complaint.

133. Defendant UNILAB has become indebted to Plaintiff State of California in that California paid defendant the sum of \$440,849,618.24 by mistake, and Defendant UNILAB did not have a right to that money.

134. Neither the whole nor any part of this \$440,849,618.24 has been returned by Defendant UNILAB to California, though demand for it has been made, and there is now due, owing, and unpaid the sum of \$616,398,537.74 (which includes simple interest at 7 percent per annum through November 30, 2009 of \$175,548,919.50), plus simple interest on the \$616,398,537.74 at 7 percent per annum from December 1, 2009.

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NINTH CAUSE OF ACTION
(Against Defendant SPECIALTY)
Common Count: Mistaken Receipt

135. Plaintiff California incorporates herein by reference and realleges the allegations in Paragraphs 1 through 100, inclusive, of this Complaint.

136. Defendant SPECIALTY has become indebted to Plaintiff State of California in that California paid defendant the sum of \$14,548,972.72 by mistake, and Defendant SPECIALTY did not have a right to that money.

137. Neither the whole nor any part of this \$14,548,972.72 has been returned by Defendant SPECIALTY to California, though demand for it has been made, and there is now due, owing, and unpaid the sum of \$20,229,022.67 (which includes simple interest at 7 percent per annum through November 30, 2009 of \$5,680,049.95), plus simple interest on the \$20,229,022.67 at 7 percent per annum from December 1, 2009.

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1 **IX. PRAYER FOR RELIEF**

2 WHEREFORE, Plaintiff prays judgment in its favor and against Defendants as
3 follows:

4 1. That judgment be entered in favor of plaintiff STATE OF CALIFORNIA *ex*
5 *rel.* HUNTER LABORATORIES, LLC and CHRIS RIEDEL, and against Defendants
6 QUEST DIAGNOSTICS INCORPORATED, a Delaware corporation; QUEST
7 DIAGNOSTICS CLINICAL LABORATORIES, INC., a Delaware corporation; QUEST
8 DIAGNOSTICS NICHOLS INSTITUTE, f/k/a QUEST DIAGNOSTICS, INC., a
9 California corporation; QUEST DIAGNOSTICS INCORPORATED, a Nevada
10 Corporation, UNILAB CORPORATION, d/b/a/ QUEST DIAGNOSTICS/UNILAB, a
11 Delaware corporation; SPECIALTY LABORATORIES, INC., a California corporation;
12 and each of them, jointly and severally, according to proof, as follows:

- 13 a. On the First Cause of Action (Against All Defendants, California
14 False Claims Act; Presenting False Claims, California Government
15 Code § 12651(a)(1)), damages as provided by California
16 Government Code section 12651, subdivision (a), in the amount of:
- 17 i. Triple the amount of California’s damages;
 - 18 ii. Civil penalties of Ten Thousand Dollars (\$10,000.00) for
19 each false claim;
 - 20 iii. Recovery of costs, attorneys’ fees, and expenses;
 - 21 iv. Pre- and post-judgment interest;
 - 22 v. Such other and further relief as the Court deems just and
23 proper;
- 24 b. On the Second Cause of Action (Against All Defendants, California
25 False Claims Act; Making or Using, or Causing To Be Made or
26 Used, False Records or Statements To Obtain Payment or Approval
27 of False Claim, California Government Code § 12651(a)(2))

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damages as provided by California Government Code section 12651, subdivision (a) in the amount of:

- i. Triple the amount of California’s damages;
- ii. Civil penalties of Ten Thousand Dollars (\$10,000.00) for each false claim;
- iii. Recovery of costs, attorneys’ fees, and expenses;
- iv. Pre- and post-judgment interest;
- v. Such other and further relief as the Court deems just and proper;

c. On the Third Cause of Action (In the Alternative, Against All Defendants, California False Claims Act, Retention of Proceeds Of Inadvertently Submitted False Claims, California Government Code § 12651(a)(8)) damages as provided by California Government Code section 12651, subdivision (a) in the amount of:

- i. Triple the amount of California’s damages;
- ii. Civil penalties of Ten Thousand Dollars (\$10,000.00) for each false claim;
- iii. Recovery of costs, attorneys’ fees, and expenses;
- iv. Pre- and post-judgment interest;
- v. Such other and further relief as the Court deems just and proper;

d. On the Fourth Cause of Action (Against Defendant QUEST-DE, Common Count: Mistaken Receipt):

- i. Damages according to proof;
- ii. Costs;
- iii. Pre- and post-judgment interest.

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- e. On the Fifth Cause of Action (Against Defendant QUEST-NICHOLS, Common Count: Mistaken Receipt):
 - i. Damages according to proof;
 - ii. Costs;
 - iii. Pre- and post-judgment interest.

- f. On the Sixth Cause of Action (Against Defendant QUEST-NV, Common Count: Mistaken Receipt):
 - i. Damages according to proof;
 - ii. Costs;
 - iii. Pre- and post-judgment interest.

- g. On the Seventh Cause of Action (Against Defendant QUEST CLINICAL, Common Count: Mistaken Receipt):
 - i. Damages according to proof;
 - ii. Costs;
 - iii. Pre- and post-judgment interest.

- h. On the Eighth Cause of Action (Against Defendant UNILAB, Common Count: Mistaken Receipt):
 - i. Damages according to proof;
 - ii. Costs;
 - iii. Pre- and post-judgment interest.

- i. On the Ninth Cause of Action (Against Defendant SPECIALTY, Common Count: Mistaken Receipt):
 - i. Damages according to proof;
 - ii. Costs;
 - iii. Pre- and post-judgment interest.

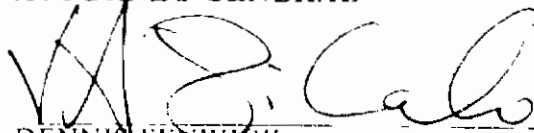
2. Further, the *Qui Tam* Plaintiffs, on their behalf, request that they receive such maximum amount as permitted by law, of the proceeds of this action or settlement of

1 this action collected by California, plus an amount for reasonable expenses incurred, plus
2 reasonable attorneys' fees and costs of this action. The *Qui Tam* Plaintiffs request that
3 their percentage be based upon the total value recovered, including any amounts received
4 from individuals or entities not parties to this action.

5 DATED: December 14, 2009

**EDMUND G. BROWN
ATTORNEY GENERAL**

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7
8 By:



DENNIS FENWICK
Deputy Attorney General
VINCENTI DICARLO
Deputy Attorney General

Attorneys for the State of California

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13 DATED: December 14, 2009

COTCHETTI, PITRE & McCARTHY

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15 By:



NIALL P. McCARTHY
JUSTIN I. BERGER

*Attorneys for Qui Tam Plaintiffs
Hunter Laboratories, LLC and Chris Riedel*