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Quest Diagnostics to pay \$241M for overcharges

By SHAYA TAYEFE MOHAJER Associated Press

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LOS ANGELES—California's biggest provider of medical lab testing has agreed to repay the state \$241 million for more than 15 years of overcharges to Medi-Cal, the state attorney general's office said Thursday.

The settlement from Quest Diagnostics Inc. is the result of a 2005 lawsuit brought by a whistleblower who alleged the labs systematically overcharged patients of Medi-Cal, the state's Medicaid program for the poor.

The lawsuit also claimed Quest gave illegal kickbacks to doctors, hospitals and clinics that referred Medi-Cal patients and charged Medi-Cal up to six times more than other customers for tests.

"Medi-Cal providers and others who seek to cheat the state through false claims and illegal kickbacks should know that my office is watching and will prosecute," Attorney General Kamala Harris said in a written statement.

The settlement is the largest ever recovered under California's False Claims Act, according to Harris' office.

In a statement, Quest officials acknowledged the settlement but denied all allegations of wrongdoing in the lawsuit.

"This agreement allows us to put the lawsuit behind us and provides for an orderly process for resolving any remaining interpretation issues," said Michael E. Prevoznik, Quest's senior vice president and general counsel.

The Madison, N.J.-based company vowed to pursue legislative action to clarify regulatory standards in California for the clinical laboratory industry.

The whistleblower in the lawsuit was a competitor,

Hunter Laboratories Inc., whose CEO Chris Riedel complained that it was a struggle to compete with Quest's low rates for doctors, hospitals and clinics, noting they were much lower than what Medi-Cal was being charged.

Riedel's lawyer, Niall P. McCarthy, said his client risked everything to bring the scheme to light, calling it "just one example of the bilking of the U.S. and California governments that routinely takes place in the health care industry."

The state attorney general's office launched a three-year investigation that found Quest made deals with medical providers to keep lab test prices low in exchange for referrals of Medi-Cal patients.

The attorney general's office says similar cases are pending against four other defendants, including Laboratory Corporation of America, known as LabCorp, the second largest lab in the state.

The LabCorp case is expected to go to trial early next year.

Shaya Tayefe Mohajer can be reached at <http://twitter.com/APShaya>



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