



Department of Justice

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LARGEST HEALTH CARE SYSTEM IN NEW JERSEY TO PAY U.S. \$265 MILLION TO RESOLVE ALLEGATIONS OF DEFRAUDING MEDICARE

NEWARK, N.J. – Saint Barnabas Corporation, the largest health care system in New Jersey and second largest employer in the state, has agreed to pay the United States \$265 million to settle allegations that it defrauded the federal Medicare program, the Justice Department and the U.S. Attorney for New Jersey announced today.

The settlement resolves allegations that the Saint Barnabas Corporation, and nine of the hospitals that it has operated, fraudulently increased charges to Medicare patients in order to obtain enhanced reimbursement from Medicare. In addition to its standard payment system, Medicare pays supplemental reimbursement to hospitals and other health care providers in cases where the cost of care is unusually high. These cases are known as “outliers.” Congress enacted the supplemental outlier payment system to ensure that hospitals possess the incentive to treat inpatients whose care requires unusually high costs.

The United States alleged that between October 1995 and August 2003, Saint Barnabas hospitals purposefully inflated charges for inpatient and outpatient care to make these cases appear more costly than they actually were, and thereby obtained outlier payments from Medicare that they were not entitled to receive.

“Today’s settlement demonstrates the United States’ determination to make sure health care providers do not overcharge the Medicare program,” said Assistant Attorney General Peter Keisler, head of the Justice Department’s Civil Division.

The civil settlement agreement resolves allegations against Saint Barnabas that were filed in two separate federal lawsuits brought by three “whistle blowers” under the federal False Claims Act. The False Claims Act permits private citizens to bring lawsuits on behalf of the

United States and receive a portion of the proceeds of a settlement or judgment awarded against a defendant.

“With the number of hospitals in New Jersey that serve populations dependent upon the federal health care programs, the integrity of the Medicare system is extremely important to our State, “ said First Assistant United States Attorney Ralph J. Marra, Jr. “This settlement demonstrates the cooperative efforts of several government offices to ensure the integrity of the Medicare system.”

As part of the \$265 million settlement, Saint Barnabas has entered into a Corporate Integrity Agreement with the United States Department of Health and Human Services, Office of Inspector General. The Corporate Integrity Agreement contains measures to ensure compliance with Medicare regulations and policies in the future.

The settlement with Saint Barnabas was the result of a coordinated effort among the Department of Justice Civil Division’s Commercial Litigation Branch; the United States Attorney’s Office for the District of New Jersey, Affirmative Civil Enforcement Unit; the United States Attorney’s Office for the Eastern District of Pennsylvania; the Department of Health and Human Services’ Office of Inspector General and Office of Counsel to the Inspector General; the Centers for Medicare and Medicaid Services; the Federal Bureau of Investigation; and the U.S. Postal Inspection Service, in investigating and resolving the allegations.

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