

# NEWS

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United States Department of Justice  
U.S. Attorney, District of New Jersey  
970 Broad Street, Seventh Floor  
Newark, New Jersey 07102

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***Christopher J. Christie, U.S. Attorney***

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***More Information?*** Call the Assistant U.S. Attorney or other contact listed below to see if more information is available.

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***Go to:*** <http://www.usdoj.gov/usao/nj/press/index.html>

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Warren Hospital Agrees to Pay \$7.5 Million  
to Government for Medicare Over billing

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(More)

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NEWARK – Warren Hospital, a hospital system headquartered in Phillipsburg, has agreed to pay the United States \$7.5 million to settle allegations that it defrauded the federal Medicare program, U.S. Attorney Christopher J. Christie announced today.

The settlement resolves allegations that Warren improperly 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 civil settlement agreement resolves allegations against Warren that were filed in two separate federal lawsuits brought by “whistleblowers” under the federal False Claims Act. The False Claims Act permits private citizens to bring lawsuits on behalf of the United States. Under the settlement, Peter Salvatori and Sara Iveson, the relators in the first of the two lawsuits filed against Warren, will share 16 percent of the total recovery, or \$1.2 million.

The Department of Justice alleged that, between January 1998 and August 2003, Warren 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 it was not entitled to receive.

“The Medicare system is of great importance within New Jersey, and this settlement shows a concerted and coordinated government effort to ensure its integrity,” Christie said.

“Today’s settlement demonstrates that the Department of Justice is committed to protecting the Medicare program from overcharging and to assuring that patients receive medical care only on the basis of their actual medical need,” said Jeffrey S. Bucholtz, acting Assistant Attorney General for the Department’s Civil Division.

The settlement also resolves claims that Warren violated the so-called “Stark laws,” by submitting claims for Medicare patients referred by physicians with whom it had a unlawful financial relationship.

As part of the \$7.5 million settlement, Warren has entered into a Corporate Integrity Agreement with the U.S. 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 Warren was the result of a coordinated effort among the Department of Justice, Civil Division, 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; and the Federal Bureau of Investigation, in investigating and resolving the allegations.

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Defense Counsel for Warren Hospital:  
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