

SETTLEMENT AGREEMENT

I. PARTIES

This Settlement Agreement (Agreement) is made between the United States of America, acting through the Department of Justice (the "Department of Justice"), and on behalf of the Office of Inspector General ("OIG-HHS") of the Department of Health and Human Services ("HHS"); the TRICARE Management Activity ("TMA") (formerly the Office of the Civilian Health and Medical Program of the Uniformed Services ("OCHAMPUS")), through its General Counsel; the United States Office of Personnel Management ("OPM"), which administers the Federal Employees Health Benefits Program ("FEHBP") (collectively, "the United States"); the State of Michigan (the "State"); the Personal Representative of the Estate of Relator Theresa Semtner ("Relator"); and Medical Center Emergency Services, P.C. ("MCES"); (collectively in all, the Parties), through their authorized representatives.

II. PREAMBLE

As a preamble to this Agreement, the Parties agree to the following:

A. The United States and the State contend that MCES submitted or caused to be submitted claims for payment to the Medicare Program ("Medicare"), Title XVIII of the Social Security Act, 42 U.S.C. §§ 1395-1395ggg (1997), the TRICARE Program, 10

U.S.C. §§ 1071-1106; the FEHBP, 5 U.S.C. §§ 8901-8914, and the Medicaid Program, 42 U.S.C. §§ 1396-1396v (1997).

B. This Agreement addresses the United States' and the State's civil claims against MCES based on the conduct alleged in the sealed action pending in the Western District of Oklahoma (the "Sealed Action"), and in Paragraphs C through E of this Agreement, involving the coding by Emergency Physicians Billing Services ("EPBS") of emergency room services on behalf of MCES through December 31, 1997 (the "Covered Conduct").

C. The United States contends that the Covered Conduct may have resulted in the submission of claims that are actionable under the False Claims Act, 31 U.S.C. §§ 3729-3733, and common law.

D. The United States also contends that it may have certain administrative claims against MCES under the provisions for permissive exclusion from the Medicare, Medicaid and other Federal health care programs, 42 U.S.C. § 1320a-7(b), the provisions for exclusion from the TRICARE program, 32 C.F.R. § 199.9, the provisions for exclusion from the FEHBP, 5 U.S.C. § 8902a or 5 C.F.R. Part 970, and the provisions for civil monetary penalties, 42 U.S.C. § 1320a-7a, for the Covered Conduct.

E. The State contends that the Covered Conduct may have resulted in the submission of claims that are actionable under

state common and statutory law and under the False Claims Act, 31 U.S.C. §§ 3729-3733.

F. MCES denies the contentions of the United States and the State in Paragraphs C through E above.

G. The Parties mutually desire to settle these disputes.

III. TERMS AND CONDITIONS

NOW, THEREFORE, in reliance on the representations contained herein and in consideration of the mutual promises, covenants, and obligations set forth below, and for good and valuable consideration as stated herein, the Parties agree as follows:

1. MCES agrees to pay the United States and the State the collective sum of \$1,600,000.00 (the "Total Amount"). MCES agrees to make payments aggregating up to the Total Amount as follows: \$1,399,716.02 to the United States (the "United States' Settlement Share") and \$200,283.98 to the State (the "State's Settlement Share"). Payment of the Total Amount will be made within five days of execution of the Agreement. Payment of the United States' Settlement Share and the State's Settlement Share shall be governed by this Agreement. Payment of the United States' Settlement Share will be made by electronic funds transfer in accordance with instructions to be provided by the United States. Payment of the State's Settlement Share will be made by electronic funds transfer in accordance with instructions

to be provided by the State.

MCES acknowledges that all claims that TMA may have suspended have been fully processed, and waives and releases any appeal, dispute, or challenge it may have had with respect to any previously suspended claims.

2. Corporate Compliance Agreement. MCES has entered into a Corporate Compliance Agreement (CCA) with OIG-HHS, attached as Exhibit A, which is incorporated into this Agreement by reference. MCES will implement its obligations under the CCA in accordance with the terms of the CCA. MCES agrees that it will adhere to all terms of the CCA in its Medicaid billings to the State. The State shall be entitled to request and review all reports, and have access to all information, which MCES is required to report, produce, or maintain pursuant to the CCA, either through OIG-HHS or directly from MCES.

3. Dismissal and Release. Subject to the exceptions in Paragraph 8 below, in consideration of the obligations set forth in this Agreement and conditioned upon MCES's payment in full of the Total Amount: (i) within five days after the Relator's receipt of the payment set forth in Paragraph 6 hereof, the United States and Relator will move to dismiss with prejudice the claims against MCES in the Sealed Action subject to the terms of this Agreement and as described more fully in Paragraph 9 of this Agreement; (ii) the United States hereby releases and discharges

MCES and all of its officers, directors, employees and agents from any civil or administrative monetary claims the United States now has or may have under the False Claims Act, 31 U.S.C. §§ 3729-3733, the Civil Monetary Penalties Law, 42 U.S.C. § 1320a-7a, the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812, or the common law theories of payment by mistake, unjust enrichment, breach of contract, and fraud, for the Covered Conduct; and (iii) the State releases and discharges MCES from any civil or administrative Medicaid monetary claims the State now has or may have under the common law or any civil statutory provisions of the State, for the Covered Conduct.

4. Administrative Waiver. (a) Subject to the exceptions in Paragraph 8 below and as reserved in this Subparagraph, in consideration for the obligations of MCES under this Agreement (including the CCA), conditioned upon MCES's payment in full of the United States' Settlement Share and the State's Settlement Share, the OIG-HHS agrees to release and refrain from instituting, directing or maintaining any administrative claim or any action seeking permissive exclusion of MCES from the Medicare, Medicaid or other Federal health care programs (as defined in 42 U.S.C. § 1320a-7b(f)), pursuant to 42 U.S.C. § 1320a-7a (Civil Monetary Penalties Law), or 42 U.S.C. § 1320a-7(b) (permissive exclusion), for the Covered Conduct. The OIG-HHS expressly reserves all rights to comply with any

statutory obligations to exclude MCES from the Medicare, Medicaid or other Federal health care programs under 42 U.S.C. § 1320a-7(a) (mandatory exclusion) for the Covered Conduct. Nothing in this Paragraph precludes OIG-HHS from taking action against entities or persons, or for conduct and practices, for which civil claims have been reserved in Paragraph 8, below.

(b) In consideration of the obligations of MCES under this Agreement, conditioned upon MCES's payment in full of the United States' Settlement Share, the TMA agrees to refrain from instituting, directing, or maintaining any administrative claims or any action seeking exclusion from the TRICARE Program against MCES under 32 C.F.R. § 199.9 for the Covered Conduct, except as reserved in Paragraph 8 below and as reserved in this Subparagraph. The TMA expressly reserves authority to exclude MCES from the TRICARE program under 32 C.F.R.

§§ 199.9(f)(1)(i)(A) and (f)(1)(iii) (mandatory exclusion), based upon the Covered Conduct. Nothing in this Paragraph precludes the TMA from taking action against entities or persons, or for conduct and practices, for which civil claims have been reserved in Paragraph 8, below.

(c) In consideration of the obligations of MCES set forth in this Agreement, conditioned upon MCES's payment in full of the United States' Settlement Share, OPM agrees to release and refrain from instituting, directing, or maintaining any

administrative claim or any action seeking exclusion from the FEHBP against MCES, its officers, directors, employees and agents under 5 U.S.C. § 8902a or 5 C.F.R. Part 970 for the Covered Conduct, except if excluded by the OIG-HHS pursuant to 42 U.S.C. § 1320a-7(a). Nothing in this Paragraph precludes OPM from taking action against entities or persons, or for conduct and practices, for which civil claims have been reserved in Paragraph 8, below.

(d) In consideration of the obligations of MCES set forth in this Agreement, conditioned on MCES' payment in full of the State's Settlement Share, the State agrees that it will not impose a Medicaid program exclusion or other suspension or debarment upon MCES for the Covered Conduct. Nothing in this Paragraph precludes the state from taking action against MCES in the event that MCES is excluded by the United States, or for conduct and practices which are not described in the Covered Conduct. MCES acknowledges that the State does not have the authority to release MCES from any claims or actions for debarment which may be asserted by private insurers, including those that are paid on a capitated basis for providing health care to the State's Medicaid recipients. Nothing in this Paragraph precludes the State from taking action against entities or persons, or for conduct and practices, for which civil claims have been reserved in Paragraph 8, below.

5. Relator agrees that the settlement between the United States and MCES in this action is fair, adequate and reasonable pursuant to 31 U.S.C. § 3730(c)(2)(B).

6. Pursuant to 31 U.S.C. § 3730, the United States will pay to Relator a 20% share (the "Relator's share"), within a reasonable time after the United States' receipt of the United States' Settlement Share from MCES. Relator will provide the United States with wire transfer information to allow the Relator's share to be paid by wire transfer. The United States shall not be obligated to pay Relator unless and until the United States receives the United States' Settlement Share from MCES.

7. In exchange for the United States' payment to Relator of the Relator's share, Relator hereby releases and discharges any and all claims Relator might bring against the United States relating to the Covered Conduct, and this Agreement, under 31 U.S.C. § 3730(d).

8. Exceptions to the Releases. Notwithstanding any term of this Agreement, specifically reserved and excluded from the scope and terms of this Agreement and the releases provided herein are:

- a. any civil, criminal, or administrative claims arising under Title 26, United States Code (Internal Revenue Code), under securities laws, or under state tax laws;
- b. claims for defective or deficient services;

c. claims relating to obligations created by this Agreement;

d. claims against entities or persons other than MCES, its officers, directors, employees and agents, including those currently named as defendants in the Sealed Action, and any named defendants in *United States ex rel. Semtner v. EPBS*, No. 94-571-(C) (W.D. Okla.), and other clients of EPBS;

e. except as explicitly stated in this Agreement, any other administrative liability, including claims for any action seeking exclusion from the Medicare program or other Federal health care programs (as defined in Title 42 U.S.C. §1320a-7b(f)) pursuant to 42 U.S.C. § 1320a-7(a) (mandatory exclusion);

f. any liability to the United States or its agencies, or the State or its agencies, for any conduct other than the Covered Conduct; and

g. any criminal liability.

9. Concurrent with the execution of this Settlement Agreement, the United States and Relator shall execute a Stipulation of Dismissal to be filed with the Court within five days after Relator's receipt of the Relator's share described in Paragraph 6 of this Agreement. The Stipulation will request that the Court enter an order to dismiss with prejudice the claims against MCES in the Sealed Action, subject to the terms of this Agreement and to any order by the Court with respect to the seal.

The Parties will exert all best efforts to obtain the dismissal with prejudice of the claims against MCES consistent with this Agreement.

10. In consideration of the mutual promises and obligations of this Agreement, Relator hereby releases and discharges MCES, its officers, directors, employees and agents from any claims, known or unknown, which Relator asserts or could have asserted under the False Claims Act or any other statute or common law theory of any kind whatsoever creating causes of action for the Covered Conduct.

11. Unallowable Costs. MCES agrees that all costs (as defined in the Federal Acquisition Regulations (FAR) § 31.205-47, and in Titles XVIII and XIX of the Social Security Act, 42 U.S.C. §§ 1395-1395ddd (1997) and § 1396-1396v (1997), and the regulations promulgated thereunder) incurred by or on behalf of MCES in connection with: (a) the matters covered by this Agreement, including attorney's fees and the obligations undertaken pursuant to the CCA; (b) the government's audits and civil and criminal investigations of the allegations which are the subject of this Agreement; (c) any of MCES's investigation, defense and corrective actions undertaken in response to the Government's audits and civil and criminal investigations in connection with matters specifically covered by this Agreement and the agreement with the State; (d) the negotiation of this,

Agreement and the CCA (including attorney's fees); and (e) the payments made to the United States, the State and the Relator pursuant to this Agreement shall be unallowable costs on Government contracts and under the Medicare, Medicaid, TRICARE, Veterans Affairs (VA) and FEHBP Programs (hereinafter "unallowable costs"). These unallowable costs will be separately estimated and accounted for by MCES and MCES will not charge such unallowable costs directly or indirectly to any contracts with the United States or any state Medicaid program, or seek payment for such unallowable costs through any cost report, cost statement, information statement or payment request submitted by MCES or any of its subsidiaries to the Medicare, Medicaid, TRICARE, VA or FEHBP programs.

MCES further agrees that within 60 days of the effective date of this Agreement it will identify to applicable Medicare, VA, and TRICARE fiscal intermediaries, carriers and/or contractors, and Medicaid and FEHBP fiscal agents, any unallowable costs (as defined in this Paragraph 11) included in payments previously sought from the United States, or any State Medicaid Program, including, but not limited to, payments sought in any cost reports, cost statements, information reports, or payment requests already submitted by MCES or any of its subsidiaries, and will request, and agree, that such cost reports, cost statements, information reports or payment

requests, even if already settled, be adjusted to account for the effect of the inclusion of the unallowable costs. MCES agrees that the United States will be entitled to recoup from MCES any overpayment as a result of the inclusion of such unallowable costs on previously-submitted cost reports, information reports, cost statements or requests for payment. Any payments due after the adjustments have been made shall be paid to the United States pursuant to the direction of the Department of Justice, and/or the affected agencies. The United States reserves its rights to disagree with any calculations submitted by MCES or any of its subsidiaries on the effect of inclusion of unallowable costs (as defined in this Paragraph 11) on MCES or any of its subsidiaries' cost reports, cost statements or information reports. Nothing in this Agreement shall constitute a waiver of the rights of the United States to examine or reexamine the unallowable costs described in this Paragraph.

MCES further agrees that it will not seek or claim as costs from any State entity for any expenses related to this Agreement, including the expenses related to negotiation or enforcement of the Agreement.

12. Subsequent to the execution of this Agreement, MCES agrees that it will not seek payment for any of the health care billings covered by this Agreement from any Federal or State health care beneficiaries or their parents or sponsors. MCES

waives any causes of action against these beneficiaries or their parents or sponsors based upon the claims for payment covered by this Agreement.

13. Waiver of Double Jeopardy Defense. With respect to the Covered Conduct; MCES hereby waives and will not assert any defenses it may have to any criminal prosecution, which defenses may be based in whole or in part on a contention that, under the Double Jeopardy Clause in the Fifth Amendment of the Constitution, or under the Excessive Fines Clause in the Eighth Amendment of the Constitution, this Settlement bars a remedy sought in such criminal prosecution or administrative action. MCES further agrees that this Settlement is not punitive in purpose or effect.

14. Nothing in this Paragraph or any other provision of this Agreement constitutes an agreement by the United States concerning the characterization of the amounts paid hereunder for purposes of the Internal Revenue Code, Title 26 of the United States Code, or any state tax laws.

15. MCES represents that this Agreement is freely and voluntarily entered into without any degree of duress or compulsion whatsoever.

16. Public Disclosure. All parties consent to the United States' and the State's disclosure of this Agreement, and information about this Agreement, to the public.

17. Venue for Enforcement, Interpretation or Dispute Resolution. Should any action to enforce or interpret this Agreement, or to resolve any dispute hereunder be required, the Parties acknowledge the jurisdiction of the federal courts and agree that venue for any such action shall be in the United States District Court for the Western District of Oklahoma, except that any disputes arising out of the CCA shall be resolved in the manner set forth in the CCA.

18. Entire Agreement. This Agreement constitutes the entire agreement between the Parties with respect to the matters contained herein, and may not be modified except by a writing signed by all Parties hereto, except that only MCES and OIG-HHS must agree in writing to modification of the CCA, pursuant to the terms of the CCA.

19. Counterparts. This Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same agreement.

20. Binding Nature of Agreement. This Agreement is binding on all successors, heirs, assigns and transferees of the Parties.

21. Effective Date. This Agreement is effective on the date of signature of the last signatory to the Agreement.

UNITED STATES OF AMERICA

Rebecca Rohr Dated: 4/18/02

REBECCA ROHR
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_____ Dated: _____

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_____ Dated: 23 April 2002

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Dated: 4/18/02


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T. Chatterjee for

David A. Lewis for
Abby L. Block Dated: 4/23/02

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STATE OF MICHIGAN

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WALLACE T. HART
Medicaid Fraud Control Unit Director
Office of the Attorney General
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_____ Dated: _____
CAROL ISAACS
Michigan Medicaid Program

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MEDICAL CENTER EMERGENCY SERVICES, P.C.

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BROOKS F. BOCK, M.D.
President

Dated: _____

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Dated: 4-17-02

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Dated: 4/19/02

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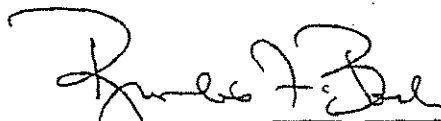
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