



Department of Justice

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SKILLED NURSING FACILITY, MANAGEMENT COMPANY, AND OWNER AGREE TO PAY \$540,000 TO RESOLVE ALLEGATIONS OF PROVIDING WORTHLESS SERVICES AND UPCODING

LEXINGTON, Ky. – Preferred Care Inc. (Preferred Care); its Stanton, Kentucky skilled nursing facility, Stanton Nursing and Rehabilitation Center (Stanton Nursing); owner, Thomas D. Scott; Preferred Care Partners Management Group (PCPMG); and certain other affiliated entities have agreed to pay \$540,000 to the United States and the Commonwealth of Kentucky, to resolve allegations that Stanton Nursing billed Medicare and the Kentucky Medicaid program for fraudulently inflated skilled nursing services and providing materially substandard care, in violation of the False Claims Act.

Preferred Care and its related entities own or operate approximately one-hundred skilled nursing facilities throughout the United States, including Stanton Nursing and twenty other facilities in Kentucky. Preferred Care's facilities, including Stanton Nursing, are managed by PCPMG and related entities. Preferred Care, Stanton Nursing, and PCPMG, along with related entities in Kentucky and New Mexico, declared Chapter 11 bankruptcy, in November 2017, in the Bankruptcy Court for the Northern District of Texas. The respective bankruptcy courts approved the settlement on June 26, 2018.

The United States alleged that Preferred Care, PCPMG, Stanton Nursing, and certain related entities violated the False Claims Act by submitting, or causing the submission of, false claims to Medicare and Medicaid. Medicare reimburses skilled nursing facilities based on a patient's resource utilization group, or RUG level, which is determined based on the anticipated amount of skilled therapy and skilled nursing services required by the patient. The United States alleged that, from July 1, 2012 through October 31, 2017, Preferred Care, PCPMG, and Stanton Nursing improperly coded patients for higher amounts of skilled nursing services than they needed or received, resulting in higher payments from Medicare.

The Settlement also resolves the government's allegations that, from July 1, 2012 through April 30, 2015, certain patients at Stanton Nursing received materially substandard or worthless services.

"The United States is committed to protecting our senior community by ensuring that taxpayer dollars are not misspent and nursing facility residents are receiving appropriate, high quality care," said Robert M. Duncan, Jr., U.S. Attorney for the Eastern District of Kentucky.

“This settlement, reached in cooperation with our partners at the Kentucky Attorney General’s Office of Medicaid Fraud and Abuse, highlights our efforts to combat healthcare fraud, waste, and abuse, and hold accountable those who fraudulently deprive government health care programs of vital resources.”

“Protecting the health and safety of Medicare and Medicaid patients is our top priority,” said Derrick L. Jackson, the Special Agent in Charge at the U.S. Department of Health and Human Services, Office of Inspector General in Atlanta. “Settlements like this one hold skilled nursing facilities responsible for providing the best possible care to our beneficiaries.”

“My office works every day to protect Kentucky’s most vulnerable citizens and to seek justice for our seniors who have been physically abused,” Kentucky Attorney General Andy Beshear said. “Our work on this case is an example of our ongoing commitment and the commitment of our federal partners to stop those who harm our seniors by not giving them the very best care and service.”

The allegations were originally brought in lawsuits filed by defendants’ former employees Susan Helton and Joseph Donchatz, under the *qui tam* provisions of the False Claims Act. Under the Act, private parties may bring suit on behalf of the government and may receive a portion of any federal recovery.

The claims resolved by the settlement are allegations only and there has been no determination of liability.

This matter was handled as part of the Elder Justice Initiative of the Department of Justice (<https://www.justice.gov/elderjustice/>). In June 2016, the United States Attorney’s Offices for the Eastern District and Western District of Kentucky formed an Elder Justice Task Force (<https://www.justice.gov/usao-edky/elder-justice-task-force>). The Task Force was assembled to foster a collaborative working relationship among federal, state, and local agencies charged with protecting the elderly. The goals include ensuring the integrity of all government expenditures by eliminating fraud, waste, and abuse in health programs, and protecting some of the state’s most vulnerable citizens from harm, whether it occurs in nursing homes or other institutions, or involves financial fraud schemes. Tips and complaints from all sources about potential fraud, waste, abuse, and mismanagement can be reported to the Department of Health and Human Services at 900-HHS-TIPS (800-447-8477).

This settlement is the result of an investigation by the U.S. Attorney’s Office for the Eastern District of Kentucky, U.S. Department of Justice Civil Division’s Commercial Litigation Branch, Office of Inspector General of the U.S. Department of Health and Human Services, and Kentucky Attorney General’s Office of Medicaid Fraud and Abuse. The cases are captioned *U.S. ex rel. Doe v. Preferred Care Inc., et al.* (E.D. Ky.) and *U.S. ex rel. Donchatz v. Stanton Health Facilities, L.P., et al.* (E.D. Ky.).

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