



Department of Justice

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FOR IMMEDIATE RELEASE
WEDNESDAY, SEPTEMBER 19, 2018
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Federal Court Orders \$1.3 Million Judgment Against Toxicology Laboratory for Committing Healthcare Fraud

FRANKFORT, Ky. – The U.S. District Court has entered a civil judgment of \$1,374,058, in favor of the United States and against Calloway Laboratories, Inc. (“Calloway”), a clinical laboratory based in Woburn, Massachusetts, holding Calloway liable for submitting false claims to federal healthcare programs, including Medicare and TRICARE.

This civil judgment, announced today by the U.S. Attorney’s Office, is part of a settlement agreement resolving False Claims Act allegations that, during the period May 2014 to November 2014, Calloway submitted false claims for payment for urine drug testing referred by physicians to whom Calloway provided free testing supplies. As part of the settlement agreement, Calloway acknowledged that it provided free testing supplies to physicians for the purpose of inducing or rewarding referrals of urine drug testing to Calloway. Calloway then submitted claims to Medicare and TRICARE seeking payment for the testing referred by these physicians.

The provision of free testing supplies to induce or reward referrals violates the Anti-Kickback Statute, a federal law that prohibits offering or providing anything of value to physicians to encourage the referral of services covered by federal healthcare programs. This conduct also violates the Stark Law, which prohibits a laboratory from billing Medicare for services referred by physicians with whom the laboratory has an improper financial relationship. Both the Anti-Kickback Statute and the Stark Law are intended to ensure that medical decision-making is not compromised by improper financial incentives and is instead based on the best interest of the patient.

“Offering financial incentives to physicians in exchange for patient referrals undermines the integrity of our health care system,” said U.S. Attorney Robert M.

Duncan, Jr. “Our office will continue to protect both patients and taxpayers by holding those who engage in kickback schemes accountable.”

The Government’s investigation began with the filing of a whistleblower lawsuit brought by a former Calloway employee 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.

This matter was handled by the U.S. Department of Health and Human Services, Office of the Inspector General, Office of Investigations; the U.S. Department of Defense, Office of the Inspector General, Defense Criminal Investigative Service; and the U.S. Attorney’s Office for the Eastern District of Kentucky. The United States was represented by Assistant U.S. Attorneys Christine Corndorf and Carrie B. Pond.

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