

## SETTLEMENT AGREEMENT

This Settlement Agreement (“**Agreement**”) is entered into among the United States of America, acting through the United States Department of Justice ( the “**United States**”); the Commonwealth of Massachusetts, acting through the Massachusetts Attorney General’s Office and on behalf of the Massachusetts Executive Office of Health and Human Services (“**EOHHS**”), limited to its role as the single state agency for Medicaid (collectively, the “**Commonwealth**”); defendants Molina Healthcare, Inc. and Pathways of Massachusetts, LLC; and relators Jennifer Collins, Ermelinda Cardona, Iris Castro, and Migdalia Rosado (hereafter collectively referred to as the “**Parties**”), through their authorized representatives.

### RECITALS

A. On September 16, 2014, Providence Service Corporation (“**Providence**”) completed an asset purchase of Valley Psychiatric Services, Inc. (“**Valley**”). On or about November 1, 2015, Molina Healthcare, Inc. (“**Molina**”), a managed health care services company principally based in Long Beach, California, completed a stock acquisition of Providence. Both Valley and Providence operated licensed mental health centers located in Springfield and Worcester, Massachusetts (“**Clinics**”) under the name “Valley Psychiatric.” Molina, through its wholly-owned subsidiary Pathways of Massachusetts, LLC (“**Pathways**”), operated the Clinics as “Pathways.” Molina owned and managed Pathways from November 1, 2015, until Pathways ceased operations in early March 2018. On October 19, 2018, Molina sold Pathways to a private investment firm.

B. On October 28, 2016, Jennifer Collins, Ermelinda Cardona, Iris Castro, and Migdalia Rosado (“**Relators**”), filed a qui tam action in the United States District Court for the District of Massachusetts captioned *United States and the Commonwealth of Massachusetts ex rel. Jennifer Collins, et al. v. Molina Healthcare, Inc. and Pathways of Massachusetts, LLC*, No.

3:16-cv-30177-MGM (D. Mass.) pursuant to the qui tam provisions of the federal False Claims Act, 31 U.S.C. §§ 3729 *et seq.*, and the Massachusetts False Claims Act, M.G.L. c. 12, §§ 5A to 5O (the “**Civil Action**”). The Relators’ Civil Action alleges that Molina and Pathways violated the federal and Massachusetts False Claims Acts, 31 U.S.C. § 3729 *et seq.* and M.G.L. c. 12, §§ 5A to 5O, respectively, by submitting claims for payment to the Commonwealth’s Medicaid program, created and administered under 42 U.S.C. §§ 1396–1396w-5, and jointly funded by the United States and the Commonwealth (“**MassHealth**”), for services provided from January 14, 2016, through March, 2018, while the Clinics were in violation of staff qualification and staff supervision regulatory requirements, lacked adequate staffing to provide required services, and were in violation of mental health center licensure requirements, such that the center did not qualify as an eligible mental health center under MassHealth and Massachusetts Department of Public Health regulations. The Relators further contended that the claims submitted by Molina and Pathways in violation of the aforementioned statutes and regulations contained implied false certifications of compliance that were material to payment decisions made by MassHealth and/or MassHealth MCEs. Relators Iris Castro, Ermelinda Cardona, and Jennifer Collins also brought employment retaliation claims, as may be amended (“**Employment Retaliation Claims**”), against Molina and Pathways in the Civil Action.

C. The United States and the Commonwealth contend that Molina and Pathways submitted or caused to be submitted claims for payment to the Medicaid Program, 42 U.S.C. §§ 1396–1396w-5 (“**Medicaid**”). The United States and the Commonwealth have asserted certain legal claims against Molina and Pathways following an investigation, which legal claims are separate from the legal claims described in the Civil Action (“**Governmental Investigation**”). Specifically, the United States and the Commonwealth allege in the Governmental Investigation that Molina and Pathways: (i) violated licensure and supervision requirements for mental health

center staff, *see, e.g.*, 105 C.M.R. § 140.530(E) (effective during the Relevant Time Period, as defined below); 130 C.M.R. §§ 429.424; 429.438(E)(1), by failing to provide and/or timely document adequate clinical supervision to clinicians requiring supervision, and permitting unqualified clinicians to supervise social workers and psychological associates; (ii) submitted claims and/or caused claims to be submitted to MassHealth and/or MassHealth managed care entities (“MCEs”) administering outpatient mental health services to MassHealth members despite knowing that the services rendered did not comply with licensure and supervision requirements for mental health center staff in violation of 31 U.S.C. §§ 3729 et seq., M.G.L. c. 12, §§ 5A to 5O, and M.G.L. c. 118E, §§ 40, 44; and (iii) received overpayments for these claims from MassHealth and/or MassHealth MCEs, and failed to disclose the false claims and/or return the overpayments to MassHealth in violation of 31 U.S.C. §§ 3729 et seq.; M.G.L. c. 12, §§ 5A to 5O; M.G.L. c. 118E, §§ 40, 44; and 130 C.M.R. § 450.101 et seq. during the period from September 16, 2014, through March 2018 (the “**Relevant Time Period**”). The United States and the Commonwealth further contend that the claims submitted by Molina and Pathways in violation of the aforementioned statutes and regulations contained certain misrepresentations that were material to payment decisions made by MassHealth and/or MassHealth MCEs.

D. With the exception of the Employment Retaliation Claims, the alleged conduct described in Recitals B and C above is referred to throughout this Agreement as the “**Covered Conduct.**”

E. Molina and Pathways do not admit to any liability in the Civil Action or the truth of the allegations in the Civil Action.

F. Molina and Pathways agree not to make or permit to be made any public statement denying, directly or indirectly, the allegations in the Governmental Investigation or

creating the impression that such allegations are without factual basis. Nothing in this paragraph affects Molina's or Pathways': (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which the United States and/or the Commonwealth is not a party.

G. Relators claim entitlement under 31 U.S.C. § 3730(d) and Mass. Gen. Laws c. 12, §§ 5B(a) and 5F to a share of the proceeds of this Settlement Agreement and to Relators' reasonable expenses, attorneys' fees and costs.

In consideration of the mutual promises and obligations of this Agreement, the Parties agree and covenant as follows:

#### **TERMS AND CONDITIONS**

1. Molina and Pathways shall pay to the United States and the Commonwealth \$4,625,000, plus interest at a rate of 1.25% per annum from March 1, 2022, of which \$2,300,000 is restitution, broken down as follows: 40% of the Settlement Amount and interest identified above shall be paid to the United States no later than 10 business days after the Effective Date of this Agreement by electronic funds transfer pursuant to written instructions to be provided by the United States Attorney's Office for the District of Massachusetts; 60% of the Settlement Amount and interest identified above shall be paid to the Commonwealth no later than 10 business days after the Effective Date of this Agreement by electronic funds transfer pursuant to written instructions to be provided the Massachusetts Attorney General's Office.

2. Subject to the exceptions in Paragraph 8 (concerning reserved claims) below, and upon the United States' receipt of the portion of the Settlement Amount due under Paragraph 1, the United States fully and finally releases Molina and Pathways (including their predecessors and current and former divisions, parents, subsidiaries, successors, and assigns) from any civil or administrative monetary claim the United States has, which arises from or relates to the Covered

Conduct, under the federal False Claims Act, 31 U.S.C. §§ 3729–33; 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, and fraud.

3. Subject to the exceptions in Paragraph 8 (concerning reserved claims) below, and upon the Commonwealth's receipt of the portion of the Settlement Amount plus interest due under Paragraph 1, the Commonwealth fully and finally releases Molina and Pathways (including their predecessors and current and former divisions, parents, subsidiaries, successors, and assigns) from any civil or administrative monetary claim the Commonwealth has, which arises from or relates to the Covered Conduct, under the Massachusetts False Claims Act, M.G.L. c. 12, §§ 5A to 5O; M.G.L. c. 118E, §§ 40, 44; 130 C.M.R. § 450.101 et seq.; or the common law theories of payment by mistake, unjust enrichment, and fraud.

4. Subject to the exceptions in Paragraph 5 below, and upon the United States' and Commonwealth's receipt of the Settlement Amount plus interest due under Paragraph 1, the Relators, for themselves and for their heirs, successors, attorneys, agents, and assigns, release Molina and Pathways from any civil monetary claim the Relators have on behalf (i) the United States for the Covered Conduct 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, and fraud; and (ii) the Commonwealth for the Covered Conduct under the Massachusetts False Claims Act, M.G.L. c. 12, §§ 5A-5O; M.G.L. c. 118E, §§ 40, 44, 130 C.M.R. § 450.101 et seq., or the common law theories of payment by mistake, unjust enrichment, and fraud.

5. The Relators expressly reserve their rights to pursue reasonable expenses, attorney's fees, and costs for the claims brought under the False Claims Act pursuant to 31 U.S.C. § 3730(d) and under the Massachusetts False Claims Act pursuant to M.G.L. c. 12,

§§ 5B(a) and 5F. Relators Ermelinda Cardona, Iris Castro and Jennifer Collins further expressly reserve their right to pursue the Employment Retaliation Claims as set forth in the Civil Action, as may be amended, and to pursue recovery of reasonable expenses, attorney's fees and costs associated with the pursuit of their Employment Retaliation Claims.

6. Conditioned upon the United States and the Commonwealth receiving their respective portion of the Settlement Amount plus interest due under Paragraph 1, and as soon as feasible after receipt of payment, the United States and the Commonwealth shall pay to the Relators by electronic funds transfer a relators' share of \$810,000 plus interest, broken down as follows: the United States shall pay the Relators \$324,000 plus interest, and the Commonwealth shall pay the Relators \$486,000 plus interest.

7. In consideration of the obligations of Molina and Pathways in this Agreement and upon the Commonwealth's receipt of full payment of the Settlement Amount due under Paragraph 1, EOHHS shall fully and finally release Molina and Pathways from any current or future administrative action seeking suspension or exclusion from MassHealth, including any program administered by MassHealth MCEs, as a result of the Covered Conduct, except as reserved in this paragraph and in Paragraph 8 (concerning reserved claims) below. EOHHS expressly reserves all rights to comply with any statutory obligations to exclude Molina and Pathways from MassHealth based upon the Covered Conduct. Nothing in this paragraph precludes EOHHS from taking action against entities or persons, or for conduct and practices, for which claims have been reserved in Paragraph 8 below.

8. Notwithstanding the releases given in Paragraphs 2 and 3 of this Agreement, or any other term of this Agreement, the following claims and rights of the United States and the Commonwealth are specifically reserved and are not released:

- a. Any liability arising under Title 26, U.S. Code (Internal Revenue Code);

- b. Any criminal liability;
- c. Except as explicitly stated in this Agreement, any administrative liability or enforcement right, including mandatory or permissive exclusion from federal health care programs;
- d. Any liability to the United States (or its agencies), or the Commonwealth (or its agencies) for any conduct other than the Covered Conduct;
- e. Any liability based upon obligations created by this Agreement; and
- f. Any liability of individuals.

9. The Relators and their heirs, successors, attorneys, agents, and assigns shall not object to this Agreement but agree and confirm that this Agreement is fair, adequate, and reasonable under all the circumstances, pursuant to 31 U.S.C. § 3730(c)(2)(B) and M.G.L. c. 12, § 5D(3).

10. Molina and Pathways waive and shall not assert any defenses Molina and Pathways may have to any criminal prosecution or administrative action relating to the Covered Conduct that may be based in whole or in part on a contention that, under the Double Jeopardy Clause in the Fifth Amendment of the Constitution, the Excessive Fines Clause in the Eighth Amendment of the Constitution, or analogous provisions of the Declaration of Rights of the Massachusetts Constitution, this Agreement bars a remedy sought in such criminal prosecution or administrative action.

11. Molina and Pathways fully and finally release the United States, its agencies, officers, agents, employees, and servants; and the Commonwealth, its agencies, officers, agents, employees, and servants from any claims (including attorneys' fees, costs, and expenses of every kind and however denominated) that Molina and Pathways have asserted, could have asserted, or may assert in the future against the United States, its agencies, officers, agents, employees, and

servants; and the Commonwealth, its agencies, officers, agents, employees, and servants related to the Covered Conduct or the United States' and Commonwealth's investigation or prosecution thereof.

12. Molina and Pathways fully and finally release the Relators, their agents, employees, and servants from any claims (including attorneys' fees, costs, and expenses of every kind and however denominated) that Molina and Pathways could have asserted, or may assert in the future against the Relators, their officers, agents, employees, and servants related to the Covered Conduct.

13. The Settlement Amount shall not be decreased as a result of the denial of claims for payment, or claims now being withheld from payment, by MassHealth related to the Covered Conduct; and Molina and Pathways agree not to resubmit to MassHealth any previously denied claims related to the Covered Conduct, agree not to appeal any such denials of claims, and agree to withdraw any such pending appeals.

14. Molina and Pathway agree to the following:

a. Unallowable Costs Defined: All "costs" (as defined in the Federal Acquisition Regulation, 48 C.F.R. § 31.205-47; and in Titles XVIII and XIX of the Social Security Act, 42 U.S.C. §§ 1395-1395lll and 1396-1396w-5; and the regulations and official program directives promulgated thereunder) incurred by or on behalf of Molina and Pathways, its present or former officers, directors, employees, shareholders, and agents in connection with:

(1) the matters covered by this Agreement;

(2) the United States' and Commonwealth's audit(s) and civil investigation(s) of the matters covered by this Agreement;

(3) Molina's and Pathways' investigation, defense, and corrective actions undertaken in response to the United States' and Commonwealth's audit(s) and civil investigation(s) in connection with the matters covered by this Agreement (including attorneys' fees);

(4) the negotiation and performance of this Agreement; and

(5) the payment Molina and Pathways makes to the United States and the Commonwealth pursuant to this Agreement and any payments that Molina and Pathways may make to the relators, including costs and attorneys' fees;

are unallowable costs for government contracting purposes and under the Medicare Program, Medicaid Program, and the TRICARE Program. (hereinafter referred to as "Unallowable Costs"). Nothing contained herein shall prevent Molina or Pathways from accurately reporting any and all costs on reports used to calculate national averages of the cost of health care or any cost reporting required by law.

b. Future Treatment of Unallowable Costs: Unallowable Costs shall be separately determined and accounted for by Molina and Pathways, and Molina and Pathways shall not charge such Unallowable Costs directly or indirectly to any contracts with the United States, the Commonwealth, 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 Molina, Pathways, or any of their subsidiaries or affiliates to the Medicare, Medicaid, or TRICARE Programs.

c. Treatment of Unallowable Costs Previously Submitted for Payment: Molina and Pathways further agree that within 90 days of the Effective Date of this Agreement it shall identify to applicable Medicare and TRICARE fiscal intermediaries, carriers, and/or contractors, and Medicaid fiscal agents, any Unallowable Costs (as defined in this paragraph) included in payments previously sought from the United States, the Commonwealth, 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 Molina, Pathways, or any of their subsidiaries or affiliates, and shall 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. Molina and Pathways agree that the United States and the Commonwealth, at a minimum, shall be entitled to recoup from Molina and Pathways any overpayment plus applicable interest and penalties 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 and/or the Commonwealth pursuant to the direction of the Massachusetts Attorney General's Office. The United States and the Commonwealth reserve the right to disagree with any calculations submitted by Molina, Pathways, or any of their subsidiaries or affiliates on the effect of inclusion of Unallowable Costs (as defined in this paragraph) on Molina, Pathways, or any of their subsidiaries or affiliates' cost reports, cost statements, or information reports.

d. Nothing in this Agreement shall constitute a waiver of the rights of the United States or the Commonwealth to audit, examine, or re-examine Molina's or Pathways' books and records to determine that no Unallowable Costs have been claimed in accordance with the provisions of this paragraph.

15. This Agreement is intended to be for the benefit of the Parties only. The Parties do not release any claims against any other person or entity, except to the extent provided for in Paragraph 16 (waiver for beneficiaries paragraph), below.

16. Molina and Pathways agree that they waive and shall not seek payment for any of the health care billings covered by this Agreement from any health care beneficiaries or their parents, sponsors, legally responsible individuals, or third-party payors based upon the claims defined as Covered Conduct.

17. Upon receipt of the payment described in Paragraph 1, above, the Parties shall promptly sign and file in the Civil Action a Joint Partial Stipulation of Dismissal of the Civil Action pursuant to Rule 41(a)(1), with the exception of the Employment Retaliation Claims, while also reserving the Relators' rights to pursue reasonable expenses, attorney's fees, and costs for the claims brought under the False Claims Act pursuant to 31 U.S.C. § 3730(d), under the Massachusetts False Claims Act pursuant to M.G.L. c. 12, § 5B(a) and 5F, and for the Employment Retaliation Claims, pursuant to 31 U.S.C. § 3730(h) and M.G.L. c. 12, § 5J.

18. Each party shall bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement, except as otherwise provided herein in paragraphs 5 and 17 above.

19. Each party and signatory to this Agreement represents that it freely and voluntarily enters into this Agreement without any degree of duress, coercion, or compulsion.

20. This Agreement is governed by the laws of the United States and the Commonwealth of Massachusetts, as appropriate. The exclusive jurisdiction and venue for any dispute relating to this Agreement is the United States District Court for the District of Massachusetts. For purposes of construing this Agreement, this Agreement shall be deemed to have been drafted by all Parties to this Agreement and for that reason shall not be construed against any party in any subsequent dispute.

21. This Agreement constitutes the complete agreement between the Parties. This Agreement may not be amended except by written consent of the Parties.

22. The undersigned counsel represent and warrant that they are fully authorized to execute this Agreement on behalf of the persons and entities indicated below.

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

24. This Agreement is binding on Molina's and Pathways' successors, transferees, heirs, and assigns.

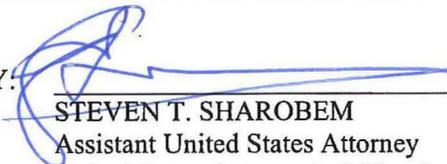
25. This Agreement is binding on the Relators' successors, transferees, heirs, and assigns.

26. All Parties consent to the United States' and Commonwealth's disclosure of this Agreement, and information about this Agreement, to the public.

27. This Agreement is effective on the date of signature of the last signatory to the Agreement ("**Effective Date of this Agreement**"). Facsimiles and electronic transmissions of signatures shall constitute acceptable, binding signatures for purposes of this Agreement.

**THE UNITED STATES OF AMERICA**

DATED: 6/15/22

BY:   
STEVEN T. SHAROBEM  
Assistant United States Attorney  
United States Attorney's Office for  
District of Massachusetts

**THE COMMONWEALTH OF MASSACHUSETTS**

DATED: 6-05-22

BY:   
MARYLOU SUDDERS  
Secretary  
Executive of Health and Human Services

DATED: 6/6/2022

BY:  /irm  
TOBY R. UNGER  
Assistant Attorney General  
Chief, Medicaid Fraud Division  
Health Care and Fair Competition Bureau

**MOLINA HEALTHCARE, INC.**

DATED: 5/16/2022

BY: 

Molina Healthcare, Inc.

DATED: \_\_\_\_\_

BY: \_\_\_\_\_  
DAVID THOMAS  
Counsel for Molina Healthcare, Inc.

**PATHWAYS OF MASSACHUSETTS, LLC**

DATED: 5/16/2022

BY: 

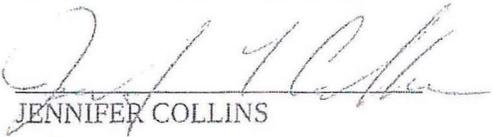
Pathways of Massachusetts, LLC

DATED: \_\_\_\_\_

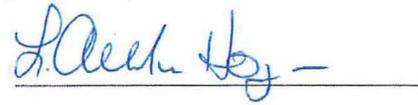
BY: \_\_\_\_\_  
DAVID THOMAS  
Counsel for Pathways of Massachusetts, LLC

JENNIFER COLLINS- RELATOR

DATED: 5/18/22

BY:   
JENNIFER COLLINS

DATED: 5/26/22

BY: 

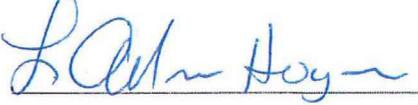
Counsel for Jennifer Collins

ERMELINDA CARDONA- RELATOR

DATED: 5/18/22

BY:   
ERMELINDA CARDONA

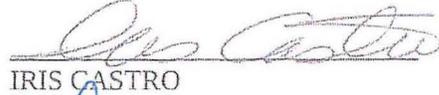
DATED: 5/26/22

BY: 

Counsel for Ermelinda Cardona

IRIS CASTRO- RELATOR

DATED: 5/23/22

BY:   
IRIS CASTRO

DATED: 5/26/22

BY: 

Counsel for Iris Castro

MIGDALIA ROSADO- RELATOR

DATED: \_\_\_\_\_

BY: \_\_\_\_\_  
MIGDALIA ROSADO

DATED: \_\_\_\_\_

BY: \_\_\_\_\_

Counsel for Migdalia Rosado

JENNIFER COLLINS- RELATOR

DATED: \_\_\_\_\_ BY: \_\_\_\_\_  
JENNIFER COLLINS

DATED: \_\_\_\_\_ BY: \_\_\_\_\_  
Counsel for Jennifer Collins

ERMELINDA CARDONA- RELATOR

DATED: \_\_\_\_\_ BY: \_\_\_\_\_  
ERMELINDA CARDONA

DATED: \_\_\_\_\_ BY: \_\_\_\_\_  
Counsel for Ermelinda Cardona

IRIS CASTRO- RELATOR

DATED: \_\_\_\_\_ BY: \_\_\_\_\_  
IRIS CASTRO

DATED: \_\_\_\_\_ BY: \_\_\_\_\_  
Counsel for Iris Castro

MIGDALIA ROSADO- RELATOR

DATED: \_\_\_\_\_ BY: \_\_\_\_\_  
MIGDALIA ROSADO

DATED: 5/26/22 BY: \_\_\_\_\_  
Counsel for Migdalia Rosado