

## SETTLEMENT AGREEMENT

### I. PARTIES

This Settlement Agreement (“Agreement”) is entered into among the United States of America, acting through the United States Department of Justice and on behalf of the Office of Inspector General (“OIG-HHS”) of the U.S. Department of Health and Human Services (“HHS”) (collectively, “the United States”); the State of West Virginia, acting through the State of West Virginia Medicaid Fraud Control Unit and the West Virginia Department of Health and Human Resources (“West Virginia”); and CRC Health, L.L.C. (“CRC”), a subsidiary of Acadia Healthcare Company, Inc. (“Acadia”), by and through their authorized representatives. All of the aforementioned individuals and entities are collectively referred to herein as “the Parties.”

### II. RECITALS

A. At all relevant times, CRC was a limited liability company organized under the laws of the State of Delaware.

B. At all relevant times, CRC’s principal place of business was in Franklin, Tennessee. At all relevant times, CRC was a health care company that rendered treatment of behavioral health and addiction disorders.

C. Included in CRC’s patient base were individuals eligible to receive reimbursement and/or health benefits under the West Virginia Medicaid Program and Medicaid Managed Care Organizations (collectively referred to herein as “Medicaid”), which is a federal health care benefit program, as defined in 18 U.S.C. § 24(b).

D. The United States contends that CRC submitted or caused to be submitted false claims for payment to Medicaid (Title XIX of the Social Security Act, 42 U.S.C. §§ 1396-1396w-5).

E. The United States further contends that it has certain civil claims against CRC for engaging in the following alleged conduct: At all relevant times, CRC, and/or its predecessor, CRC Health Group, Inc., operated the following drug treatment centers in West Virginia: Charleston Treatment Center, LLC; Huntington Treatment Center, LLC; Parkersburg Treatment Center, LLC; Beckley Treatment Center, LLC; Williamson Treatment Center, LLC; Clarksburg Treatment Center, LLC; and Wheeling Treatment Center, LLC (collectively referred to herein as the “West Virginia Centers”). For purposes of this Agreement, references to CRC shall include the West Virginia Centers. The West Virginia Centers provided outpatient drug treatment, including the administration of Methadone and the prescribing of Suboxone and Subutex. The Centers for Medicare and Medicaid Services regulates laboratory testing through the Clinical Laboratory Improvement Amendments (“CLIA”). CLIA requires all facilities that perform even one test on materials derived from the human body to meet certain Federal requirements. Each of the West Virginia Centers had a CLIA Certificate of Waiver that allowed it to perform “waived tests” only. As defined by CLIA, waived tests are simple tests with a low risk for an incorrect result. These include certain tests listed in the CLIA regulations, tests cleared by the FDA for home use, and tests approved for waiver by the FDA using the CLIA criteria. Under CLIA, “non-waived” testing consisted of moderate and high complexity testing. Laboratories that performed non-

waived tests were required to have a higher level CLIA certification than the certificates of waiver held by the West Virginia Centers. Moderate or complex urine and blood testing performed with laboratory equipment and/or professional personnel could only be performed in a laboratory with a higher and different certification than a certificate of waiver. In accordance with drug screening practices, the West Virginia Centers sent urine samples to a reference lab - San Diego Reference Laboratory (“SDRL”) - for all moderate and high complexity drug testing. From time to time, the West Virginia Centers also sent blood samples to SDRL for testing. SDRL invoiced the West Virginia Centers for the testing it performed, at the request of the West Virginia Centers. The West Virginia Centers paid SDRL directly. The West Virginia Centers also sent some urine samples to a reference lab owned by CRC, the 10th Street Lab. The West Virginia Centers then billed West Virginia Medicaid for the urine and blood testing performed by SDRL and the 10th Street Lab, as though it had been performed by the West Virginia Centers. In the claims submitted to Medicaid, the West Virginia Centers represented that they had rendered moderate and/or high complexity laboratory services covered and described by CPT Codes 80307, 80074, 80076, 81005, 86592, 86689 and 87340, and HCPCS Codes G0480, G0481 and G0482. Medicaid, induced by the claims submitted, reimbursed the West Virginia Centers at a substantially higher rate than SDRL charged to perform the testing. Medicaid regulations and policies prohibited the West Virginia Centers from seeking reimbursement for moderate and complex urine and blood testing which they (a) were not CLIA certified to perform; and (b) did not, in fact, render. From January 1, 2012 to July 31, 2018, Medicaid paid the West Virginia Centers no less than \$8,500,000 as a

result of the moderate and complex urine and blood testing claims. The conduct described in this paragraph is hereinafter referred to as the "Covered Conduct".

F. This Agreement is not an admission of liability by CRC, nor is it a concession by the United States that its claims are not well founded and substantially justified.

G. To avoid the delay, uncertainty, inconvenience, and expense of protracted litigation of the above claims, and in consideration of the mutual promises and obligations of this Agreement, the Parties have reached a full and final settlement pursuant to the Terms and Conditions set forth below.

### III. TERMS AND CONDITIONS

1. CRC shall pay to the United States the sum of **\$17,000,000** (the "Settlement Amount") by electronic funds transfer ("EFT") pursuant to written instructions to be provided by the Office of the United States Attorney for the Southern District of West Virginia on or before the effective date of this Agreement. CRC shall make the EFT of the Settlement Amount within three (3) business days of the Effective Date of this Agreement. The Parties agree that the payment by CRC of the Settlement Amount to the United States includes an amount of \$8,500,000 that shall constitute restitution within the meaning of Section 162(f) of the Internal Revenue Code of 1986, as amended (the "Code") with respect to the payments from West Virginia Medicaid to the West Virginia Centers described in the Covered Conduct (the "Restitution Amount"). The Parties agree to make any returns or filings in respect of the Settlement Amount as may be required by the Code and any regulations thereunder.

2. Subject to the exceptions in Paragraph 5 below (concerning excluded claims), and conditioned upon full payment of the Settlement Amount by CRC, and subject to Paragraph 15 below (concerning bankruptcy proceedings commenced within 91 days of the Effective Date of this Agreement or any payment under this Agreement), the United States releases CRC, together with its current and former parent corporations; direct and indirect subsidiaries; brother or sister corporations; divisions; current or former corporate owners; and the corporate successors and assigns of any of them, from any civil or administrative monetary claims the United States has 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; and the common law theories of payment by mistake, unjust enrichment, and fraud.

3. Subject to the exceptions in Paragraph 5 below (concerning excluded claims), and conditioned upon full payment of the Settlement Amount by CRC, and subject to Paragraph 14 below (concerning bankruptcy proceedings commenced within 91 days of the Effective Date of this Agreement or any payment under this Agreement), the State of West Virginia (on behalf of itself, its officers, agents, agencies and departments) agrees to release CRC, together with its current and former parent corporations; direct and indirect subsidiaries; brother or sister corporations; divisions; current or former corporate owners; and the corporate successors and assigns of any of them, from any civil or administrative monetary claim the State of West Virginia has or may have, including pursuant to W.Va. Code § 9-7-6, at common law or otherwise for the Covered Conduct.

4. In consideration of the obligations of CRC in this Agreement and the Corporate Integrity Agreement (“CIA”), entered into between OIG-HHS and CRC and Acadia, and conditioned upon CRC’s full payment of the Settlement Amount, the OIG-HHS agrees to release and refrain from instituting, directing, or maintaining any administrative action seeking exclusion from Medicare, Medicaid and other Federal health care programs (as defined in 42 U.S.C. § 1320a-7b(f)) against CRC and Acadia under 42 U.S.C. § 1320a-7a (Civil Monetary Penalties Law) or 42 U.S.C. § 1320a-7(b)(7) (permissive exclusion for fraud, kickbacks, and other prohibited activities) for the Covered Conduct, except as reserved in this Paragraph and in Paragraph 5 (concerning excluded claims), below. The OIG-HHS expressly reserves all rights to comply with any statutory obligations to exclude CRC, Acadia and/or any of the West Virginia Centers from Medicare, Medicaid and other Federal health care programs under 42 U.S.C. § 1320a-7(a) (mandatory exclusion) based upon the Covered Conduct. Nothing in this Paragraph precludes the OIG-HHS from taking action against entities or persons, or for conduct and practices, for which claims have been reserved in Paragraph 5, below.

5. Notwithstanding the release given in Paragraph 2, 3 and 4 of this Agreement, or any term of this Agreement, the following claims of the United States 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 provided in this Agreement, any administrative

liability, including mandatory exclusion from federal health care programs;

- d. Any liability to the United States (or its agencies) for any conduct other than the Covered Conduct;
- e. Any liability based upon obligations created by this Agreement;
- f. Any liability for personal injury or property damage or for other consequential damages arising from the Covered Conduct; and
- g. Any liability of individuals not specifically released herein.

6. CRC waives and shall not assert any defenses it may have to any criminal prosecution or administrative action relating to the Covered Conduct which is based, in whole or in part, on the contention that, under the Double Jeopardy Clause of the Fifth Amendment to the Constitution of the United States of America, or under the Excessive Fines Clause of the Eighth Amendment to the Constitution of the United States of America, this Agreement bars a remedy sought in such criminal prosecution or administrative action.

7. CRC fully and finally releases the United States, its agencies, employees, servants, and agents from any claims (including attorney's fees, costs, and expenses of every kind and however denominated) that it has asserted, could have asserted, or may assert in the future against the United States, its agencies, employees, servants, and agents, related to the Covered Conduct and the investigation and prosecution thereof by the United States.

8. The Settlement Amount shall not be decreased as a result of the denial of claims for payment now being withheld from payment by Medicaid, any other federal health care benefit

program, or any state payer, related to the Covered Conduct; and CRC agrees not to resubmit to Medicaid, any other federal health care benefit program, or any state payer any previously denied claims related to the Covered Conduct, and agrees not to appeal denials of any such claims, and to withdraw any such pending appeals.

9. CRC further agrees to the following:

a. Unallowable Costs Defined: That 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. §§ 1395-1395kkk-1 and 1396-1396w-5; and the regulations and official program directives promulgated thereunder), if any, incurred by or on behalf of CRC in connection with the following shall be "Unallowable Costs" for government contracting purposes with the United States and under the Medicare program, Medicaid program, TRICARE program and FEHBP:

1. Matters covered by this Agreement and any related plea agreement;
2. Audit(s) and civil and any criminal investigation(s) by the United States of the matters covered by this Agreement;
3. Investigation, defense, and corrective actions undertaken by CRC in response to the United States' audit(s) and civil and any criminal investigation(s) in connection with the matters covered by this Agreement (including attorney's fees);
4. The negotiation and performance of this Agreement and any plea agreement;
5. The payment(s) CRC makes to the United States pursuant to this

Agreement, including any costs and attorney's fees; and

6. The negotiation of, and obligations undertaken pursuant to the CIA to: (i) retain an independent review organization to perform annual reviews as described in Section III of the CIA; and (ii) prepare and submit reports to the OIG-HHS, are unallowable, including any costs for government contracting purposes and under the Medicare Program, Medicaid Program, TRICARE Program, and Federal Employees Health Benefits Program (FEHBP) (hereinafter referred to as Unallowable Costs). However, nothing in paragraph 9.a.6 that may apply to the obligations undertaken pursuant to the CIA affects the status of costs that are not allowable based on any other authority applicable to CRC.

b. Future Treatment of Unallowable Costs: If applicable, these Unallowable Costs shall be separately determined and accounted for by CRC. CRC shall 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 CRC to the Medicare, Medicaid, TRICARE, FEHBP, or other federal health care benefit programs.

c. Treatment of Unallowable Costs Previously Submitted for Payment: If applicable, CRC further agrees that within 60 days of the Effective Date of this Agreement it shall identify to applicable Medicare and TRICARE fiscal intermediaries, carriers and/or contractors, and Medicaid and FEHBP fiscal agents, any Unallowable Costs (as defined in this Paragraph) 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 CRC, or on behalf of CRC by any medical practice or entity through which CRC provided medical services, 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. CRC agrees that the United States, at a minimum, shall be entitled to recoup from it 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. The United States reserves its rights to disagree with any calculations submitted by CRC, or on behalf of CRC by any medical practice or entity through which CRC provided medical services, on the effect of inclusion of Unallowable Costs (as defined in this Paragraph) on CRC's cost reports or the cost reports of any medical practice or entity through which CRC provided medical services, cost statements or information reports.

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

10. 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 11 directly below.

11. CRC waives 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 payers based upon the claims included in and defined as Covered Conduct.

12. In the event the United States opts to rescind this Agreement following a breach by CRC, then CRC agrees that it shall not plead, argue, or otherwise raise any defenses under the theories of statute of limitations, laches, estoppel, or similar theories, to any civil or administrative claims that (a) are filed by the United States within 30 calendar days of written notification to CRC that this Agreement has been rescinded; and (b) relate to the Covered Conduct, except to the extent these defenses were available on the Effective Date of this Agreement.

13. CRC warrants that it has reviewed its financial situations and that it is currently solvent within the meaning of 11 U.S.C. §§ 547(b)(3) and 548(a)(1)(B)(ii)(I), and shall remain solvent following the payment to the United States of the Settlement Amount. Further, the Parties warrant that, in evaluating whether to execute this Agreement, they (a) intended that the mutual promises, covenants, and obligations set forth herein constitute a contemporaneous exchange for new value given to CRC, within the meaning of 11 U.S.C. § 547(c)(1); and (b) conclude that these mutual promises, covenants, and obligations shall, in fact, constitute such a contemporaneous exchange. Further, the Parties warrant that the mutual promises, covenants, and obligations set forth herein are intended to and do, in fact, represent a reasonably equivalent exchange of value

that is not intended to hinder, delay, or defraud any person or entity to which CRC is or becomes indebted on or after the date of this transfer, all within the meaning of 11 U.S.C. § 548(a)(1).

14. If, within 91 days of the Effective Date of this Agreement or any payment made under this Agreement, CRC or a third party commences any case, proceeding, or other action under any law relating to bankruptcy, insolvency, reorganization, or relief of debtors: (a) seeking to have an order for relief of CRC's debts, or seeking to adjudicate CRC as bankrupt or insolvent; or (b) seeking appointment of a receiver, trustee, custodian, or other similar official for CRC or for all or any substantial part of CRC's assets, then CRC agrees as follows:

a. CRC's obligations under this Agreement may not be avoided pursuant to 11 U.S.C. §§ 547 or 548, and it shall not argue or otherwise take the position in any such case, proceeding, or action that: (i) its obligations under this Agreement may be avoided under 11 U.S.C. §§ 547 or 548; (ii) it was insolvent at the time this Agreement was entered into, or became insolvent as a result of any payment made to the United States hereunder; or (iii) the mutual promises, covenants, and obligations set forth in this Agreement do not constitute a contemporaneous exchange for new value given to CRC.

b. If CRC's obligations under this Agreement are avoided for any reason, including, but not limited to, through the exercise of a trustee's avoidance powers under the Bankruptcy Code, then the United States, at its sole option, may rescind and/or void this Agreement and any releases herein, and may bring any civil and/or administrative claim, action, or proceeding against CRC for the claims that would otherwise be covered by the release provided

in Paragraph 2 hereof. CRC agrees that: (i) any such claims, actions, or proceedings brought by the United States (including any proceedings to exclude CRC from participation in Medicare, TRICARE or other Federal health care benefit programs) are not subject to an automatic stay imposed pursuant to 11 U.S.C. § 362(a) as a result of the action, case, or proceedings described in the first clause of this Paragraph, and that CRC shall not argue or otherwise contend that the claims, actions, or proceedings of the United States are subject to an automatic stay; (ii) CRC shall not plead, argue, or otherwise raise any defenses under the theories of statute of limitations, laches, estoppel, or similar theories, to any such civil or administrative claims, actions, or proceedings that are brought by the United States within 30 calendar days of written notification to CRC that this Agreement and the releases herein have been rescinded pursuant to this Paragraph, except to the extent such defenses were available on the Effective Date of this Agreement; and (iii) the United States has a valid claim against CRC in the amount of **\$25,500,000**, and the United States may pursue its claim in the case, action, or proceeding referenced in the first clause of this Paragraph as well as in any other case, action, or proceeding.

c. CRC acknowledges that its agreement in this Paragraph is provided in exchange for valuable consideration provided in accordance with this Agreement.

15. In the event that CRC fails to pay any amount as provided in Paragraph 1 hereof within two (2) business days of the date on which such payment is due, then CRC shall be in breach of the terms of this Agreement ("Default" or "Breach").

16. Notwithstanding any other provision set forth herein, in the event of Default as

defined in Paragraph 15 above, OIG-HHS may exclude CRC from participating in all federal health care programs until CRC pays the Settlement Amount and reasonable costs. OIG-HHS will provide written notice of any such exclusion to CRC. CRC waives any further notice of the exclusion under 42 U.S.C. § 1320a-7(b)(7), and agrees not to contest such exclusion either administratively or in any state or federal court. Reinstatement to participate in federal health care programs is not automatic. If at the end of any period of exclusion CRC wishes to apply for reinstatement, it must submit a written request for reinstatement to OIG-HHS in accordance with the provisions of 42 C.F.R. §§ 1001.3001-.3005. CRC will not be reinstated unless and until OIG-HHS approves such request for reinstatement.

17. Each Party to this Agreement shall bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.

18. CRC represents that this Agreement is freely and voluntarily entered into without any degree of duress or compulsion whatsoever and with the benefit of legal counsel of its choosing.

19. This Agreement is governed by the laws of the United States. The Parties agree that the exclusive jurisdiction and venue for any dispute arising between and among the Parties relating to this Agreement shall be in the United States District Court for the Southern District of West Virginia.

20. For purposes of construction, this Agreement shall be deemed to have been drafted by all Parties to this Agreement and shall not, therefore, be construed against any Party for that

reason in any dispute or legal proceeding.

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

22. All persons signing this Agreement on behalf of the United States represent that they are signing this Agreement in their official capacities and that they are authorized to execute this Agreement. The individuals signing this Agreement on behalf of CRC represent and warrant that they are authorized to execute this Agreement on behalf of CRC and each of the West Virginia Centers.

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 (a) CRC; (b) the West Virginia Centers; (c) the successors, transferees, heirs, and assigns of CRC; (d) the successors, transferees, heirs, and assigns of the West Virginia Centers; (e) The United States; and (f) The State of West Virginia.

25. All Parties consent to disclosure by the United States of this Agreement, and information about this Agreement, the Covered Conduct, and the settlement of the government's claims, to the public. The Parties further agree that the United States may file this Settlement Agreement in the United States District Court for the Southern District of West Virginia as a miscellaneous action and may take all actions necessary to do so.

26. This Agreement is effective on the date of the 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.

**[SIGNATURES APPEAR ON THE FOLLOWING PAGES]**

THE UNITED STATES OF AMERICA

Dated: 5/3/2019

By: Michael B. Stuart  
MICHAEL B. STUART  
United States Attorney  
U.S. Attorney's Office  
Southern District of West Virginia

Dated: 05/03/2019

By: Lisa M. Re  
LISA M. RE  
Assistant Inspector General for Legal Affairs  
Office of Counsel to the Inspector General  
Office of Inspector General  
U.S. Dept. of Health and Human Services

**STATE OF WEST VIRGINIA**

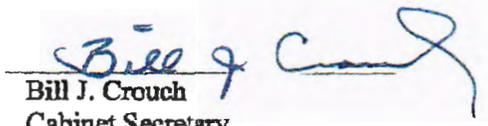
Dated: 19 April 2019

By:   
Michael N. Malone  
Director  
West Virginia Medicaid Fraud Control Unit

Dated: 4/19/19

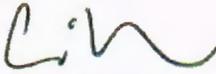
By:   
Cindy Beane, MSW, LCSW  
Commissioner, Bureau for Medical Services  
West Virginia Department of Health and  
Human Resources

Dated: 4/19/19

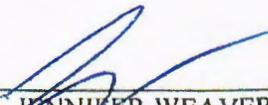
By:   
Bill J. Crouch  
Cabinet Secretary  
West Virginia Department of Health and  
Human Resources

CRC HEALTH, L.L.C.

Dated: April 22, 2019

By:   
CHRISTOPHER L. HOWARD  
Vice President and Secretary  
CRC Health, L.L.C.

Dated: 4-22-19

  
JENNIFER WEAVER  
Attorney for CRC

Dated: \_\_\_\_\_

\_\_\_\_\_  
ADAM ROBISON  
Attorney for CRC

**CRC HEALTH, L.L.C.**

Dated: \_\_\_\_\_

By: \_\_\_\_\_

CHRISTOPHER L. HOWARD  
Vice President and Secretary  
CRC Health, L.L.C.

Dated: \_\_\_\_\_

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JENNIFER WEAVER  
Attorney for CRC

Dated: 4/18/2019 \_\_\_\_\_

  
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ADAM ROBISON  
Attorney for CRC