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A Compliance Officer Is the Whistleblower in Sutter Health Case; Settlement Is $30.5M

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The former compliance officer of Sutter Medical Center in Sacramento, California, was the catalyst of Sutter Health's $30.5 million settlement with the Department of Justice (DOJ) for allegedly overpaying Sacramento Cardiovascular Surgeons Medical Group (Sac Cardio) for physician assistants and medical director agreements in violation of the Stark Law. Although the compliance officer suspended the payments more than once with the support of Sutter Health executives, they resumed, according to allegations in the False Claims Act[1] (FCA) complaint.

DOJ announced the settlement Nov. 15.

Laurie Hanvey, the compliance officer turned whistleblower, filed the FCA lawsuit against Sutter Health in 2014, two years after joining the integrated delivery system. In a twist, Sutter Health is only released in the settlement from common law theories of unjust enrichment and payment by mistake.

Sutter Health is a nonprofit with 24 hospitals, 5,000 physicians and 48,000 employees. Sac Cardio includes three cardiovascular surgeons: Michael Ingram, Robert Kincade and James Longoria.

According to the settlement, Sutter Medical Center in Sacramento paid Sac Cardio compensation for three medical director agreements and one lease for the services of physician assistants (PAs) employed by Sac Cardio. "These arrangements qualified as compensation arrangements under the Stark Law and did not satisfy the requirements of any applicable statutory or regulatory exception to the Stark Law," DOJ alleged. The reasons: the compensation was above fair market value for the services provided by Sac Cardio; "the aggregate services contracted for exceeded those that were reasonable and necessary for the legitimate business purposes of the arrangements;" and the Sac Cardio physicians referred designated health services to Sutter Medical Center Sacramento, which billed Medicare for them from Sept. 1, 2012, through Sept. 30, 2014, DOJ alleged.