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Prime Healthcare, CEO, Cardiologist Settle FCA Allegations Over Payments for Referrals

By Nina Youngstrom

For the third time in three years, Prime Healthcare Services in California and its founder/CEO, physician Prem Reddy, have settled a False Claims Act case, and this time around it's a combination of familiar allegations—paying a physician abundantly in exchange for referrals—and less familiar allegations: the submission of false claims for implantable medical devices and services performed by a physician whose Medicare privileges had been revoked.

Prime, Reddy and California interventional cardiologist Siva Arunasalam agreed to pay \$37.5 million in a settlement with the Department of Justice (DOJ) and the California Department of Justice, DOJ said July 19.^[1]

The case was set in motion by three whistleblowers. One lawsuit was filed by Martin Mansukhani, former Prime regional chief financial officer, and the other by Marsha Arnold and Joseph Hill, former employees in the billing office of a Prime hospital in Redding, California. DOJ declined to intervene in the whistleblower lawsuits but is a party to the settlement,^[2] said attorney Edward Arens, with Phillips & Cohen, which represented Mansukhani. Other parties to the settlement include Prime Healthcare Foundation Inc., Prime Healthcare Management Inc., Desert Valley Hospital Inc. (DVH), High Desert Heart Vascular Institute, A&A Surgery Center (A&A), and High Desert Heart Institute Medical Corporation (HDHI).

In 2018, Prime and Reddy agreed to pay \$65 million to settle allegations that 14 of its California hospitals submitted false claims to Medicare by admitting inpatients who should have been treated in outpatient settings or observation and billing for more expensive diagnoses than patients had.^[3] A year later, Prime and Reddy agreed to pay \$1.25 million to resolve diagnosis upcoding allegations involving two Pennsylvania hospitals. And now there's a false claims settlement based on alleged violations of the Anti-Kickback Statute (AKS) and other allegations. According to the settlement, DOJ alleged the price that Prime paid Arunasalam (referred to as Dr. Siva) for his practice and surgery center took into account the volume or value of his referrals to Prime-owned DVH and was above fair market value in violation of the AKS. After the acquisition, Dr. Siva's compensation from Oct. 30, 2015, through March 31, 2020, allegedly took into account his referrals to DVH and resulted in the submission of false claims to federal health care programs.

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