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## As Cases Drive Home, Ignoring Complaints Plays Role in Fraud Cases

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By Nina Youngstrom

Silencing or ignoring employees who report compliance problems tends to backfire, a compliance truism that has played out in recent high-stakes cases. Sometimes this causes nicks and cuts to the corporate culture that can be repaired, and at other times the wounds are more devastating, a compliance expert said. Two of the object lessons in this area come from The Boeing Company and Theranos.

“If you ignore complaints, you will create whistleblowers,” said Margaret Scavotto, president of Management Performance Associates, at a Jan. 10 webinar on compliance culture case studies sponsored by the Health Care Compliance Association.<sup>[1]</sup> The cases also highlight questions about putting profits before safety. “Competing interests are a compliance nightmare,” she noted. “Unresolved conflicts between financial interests and safety and quality will destroy your compliance culture.”

The Theranos blood-testing company debacle illustrates the dangers of ignoring complaints and data “to achieve a goal,” Scavotto said. Elizabeth Holmes founded Theranos at age 19 after dropping out of Stanford University in 2003 and brought her boyfriend, Sunny Balwani, in as CEO in 2009. The Theranos concept was to perform 200 blood tests from a tiny prick of fingertip blood that was put in a cartridge the size of a credit card and then placed in a toaster-sized box that would analyze the blood, Scavotto said. “The problem: It didn’t always work. And it couldn’t perform that many tests,” she noted. Based on Holmes’ deceptions, Theranos got contracts with Walgreens and Safeway, according to reporting by *Wall Street Journal* reporter John Carreyrou, author of the book *Bad Blood*, which brought the Theranos scandal to light. “Because the Theranos devices could not perform many tests, most patients had their blood drawn by needle. Employees waited up to two weeks for their results because Theranos was secretly outsourcing the blood tests to a lab. And the test results were abnormal. When retested in a different lab, results came back normal,” Scavotto said.

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