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More Hospitals Settle FCA Allegations Over Allowable Medical Expenses

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In another set of False Claims Act (FCA) settlements about allowed medical expenses under managed Medicaid in California, Dignity Health and two hospital subsidiaries of Tenet Healthcare Corp. have agreed to pay \$22.5 million, the Department of Justice (DOJ) and U.S. Attorney’s Office for the Central District of California said Dec. 7.^[1]

Dignity Health—which owns three hospitals and one clinic in Santa Barbara and San Luis Obispo counties—agreed to pay \$13.5 million to the United States and \$1.5 million to the state of California. Twin Cities Community Hospital and Sierra Vista Regional Medical Center, two subsidiaries of Tenet Healthcare Corp. in San Luis Obispo County, agreed to pay \$6.75 million to the United States and \$750,000 to the state of California.

The separate settlements came down four months after Ventura County’s organized health system and several hospitals and clinics agreed to pay \$70.7 million over managed Medicaid payments that allegedly weren’t for allowed medical expenses.^[2]

At the heart of the allegations against the Dignity and Tenet hospitals are payments for “enhanced services” to the adult expansion population, according to the settlements. Under the Affordable Care Act (ACA), Medicaid was expanded to cover the formerly uninsured “adult expansion” population (adults aged 19 to 64 without dependent children who have annual incomes up to 133% of the federal poverty level). In California, the state Medicaid agency, the Department of Health Care Services (DHCS), has contracts with county-organized health systems (COHS) that arrange for health care services under Medicaid (known as Medi-Cal). The contracts included an 85% medical loss ratio (MLR) requirement for the adult expansion population, which means 85% of the money must be spent on allowed medical expenses. Allowed medical expenses are actual expenses incurred and accounted for covered services. CenCal is the COHS for Santa Barbara and San Luis Obispo counties, and its former medical director is the whistleblower who set this false claims case in motion.

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