Hospitals Admit to Defrauding Medicaid; $514M Tenet Healthcare Settlement Finalized

To say that Tenet Healthcare Corporation has been having a less-than-healthy year financially would be an understatement.

As a result of two former Tenet hospitals pleading guilty to conspiracy to defraud Medicaid, the hospital chain was slapped with a hefty penalty. Announced in August, the final settlement figure came in at $514 million; however, Tenet only had $407 million set aside in its reserve (and this despite a substantial padding of that reserve last spring in anticipation of the settlement). The settlement has now been finalized.

According to information the hospital chain has posted, it suffered a net loss of $59 million in the first quarter of this year. That figure is bleak on its own, but when compared with the net income of $47 million a year prior, it's especially dire. In 2016's second quarter, Tenet failed to meet analyst predictions when its continuing operations showed a $.44 per share net loss.

Former Tenet hospitals allegedly part of an illegal kickback scheme

North Fulton Hospital and Atlanta Medical Center, both in Georgia, each pleaded guilty to one count of conspiracy to defraud the United States and violate federal anti-kickback laws. These details were announced by Tenet earlier this month.

In 2014, the U.S. Justice Department (DOJ) joined a "whistleblower" lawsuit that accused Tenet Healthcare and four of its hospitals of illegally paying for Medicaid patient referrals, activity that violates the Stark law and the federal anti-kickback statute. Allegedly, the hospitals made illegal payments to clinics run by Hispanic Medical Management and Clinica de la Mama in exchange for patient referrals.

The DOJ accused Tenet of making payments to Hispanic Medical Management that were camouflaged as marketing, translation, and Medicaid eligibility assessment services, but were in actuality illegal kickbacks. Further, the DOJ said that there were individuals employed at the aforementioned hospitals that allegedly withheld information from Tenet about these agreements and also managed to get around the policies and procedures Tenet had in place to preempt this type of illegal behavior.

"Our Medicaid system is premised on a patient's ability to make an informed choice about where to seek care without undue interference from those seeking to make a profit," said U.S. Attorney John Horn. "Tenet cheated the Medicaid system by paying bribes and kickbacks to a pre-natal clinic to unlawfully refer over 20,000 Medicaid patients to the hospitals. In so doing, they exploited some of the most vulnerable members of our community and took advantage of a payment system designed to ensure that underprivileged patients have choices in receiving care."

What lies ahead for Tenet

For the next three years, the health system will be in a program to monitor its compliance, and an independent monitor will be overseeing its referral source arrangements. Tenet says that it has already overhauled its referral source arrangement protocol and further, that it is reinforcing its oversight and audit systems.

“The conduct in this matter was unacceptable and failed to live up to our high expectations for integrity,” said Trevor Fetter, chairman and CEO of Tenet. “The relationships between the four hospitals and Clinica de la Mama violated the explicit requirements of our compliance program and were inconsistent with the strong culture of compliance we’ve worked hard to establish at Tenet.”

In March of this year, Tenet sold North Fulton Hospital, Atlanta Medical Center, and one other hospital involved in the alleged misconduct. The health system has recently said that neither Atlanta Medical Center nor North Fulton Hospital have operating assets at the present time.

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