

# NEWS

October 14, 2014 Press Release “Bostwick Laboratories Agrees To Pay United States \$6,048,000 To Settle Allegations That It Offered Incentives To Physicians In Exchange For Referrals And Billed For Unordered Tests And Services”

FOR IMMEDIATE RELEASE - October 14, 2014

## **BOSTWICK LABORATORIES AGREES TO PAY UNITED STATES \$6,048,000 TO SETTLE ALLEGATIONS THAT IT OFFERED INCENTIVES TO PHYSICIANS IN EXCHANGE FOR REFERRALS AND BILLED FOR UNORDERED TESTS AND SERVICES**

On behalf of its client Michael Daugherty, Morgan Verkamp, LLC is pleased to announce that Bostwick Laboratories, Inc., an anatomic and pathology lab based in Uniondale, New York, has agreed to pay the United States \$6,048,000 to resolve allegations regarding violations of the False Claims Act.

The False Claims Act allows private citizens to bring cases in the name of the United States against government contractors charged with fraud. False Claims Act cases, also called *qui tam* cases, recover damages back to the Treasury for false claims made to federal programs, including federal healthcare programs.

The *qui tam* complaint was filed in May 2008. It alleges that Bostwick Laboratories improperly billed Medicare and Medicaid for tests and services referred in violation of the Anti-Kickback Statute and for tests performed without a doctor’s order or consent. The Justice Department decided in June 2011 not to intervene in the case. In 2012, Senior District Judge S. Arthur Spiegel issued a well- reasoned order denying the defendants’ motions to dismiss. *U.S. ex rel. Daugherty v. Bostwick Laboratories, et al.*, 2012 U.S. Dist. LEXIS 178641 (S.D. Ohio Dec. 18, 2012).

The case against Bostwick Laboratories settled after the company entered into settlement discussions with Mr. Daugherty and the United States based on its inability to pay the full value of the damages sought in the *qui tam* action.

Jennifer Verkamp of Morgan Verkamp said, “Mr. Daugherty exposed public health insurance fraud in one of the most costly, and most frequently abused, segments of health care. When laboratories and other suppliers and providers pay kickbacks to obtain business from providers, honest companies cannot compete, and the entire system suffers.” Ms. Verkamp noted that Daugherty’s allegations against Dr. Bostwick himself are still pending and are expected to go to trial in late 2015.

The Department of Justice is represented by Assistant United States Attorney Andrew Malek and Civil Division Trial Attorney Alison Cendali, of Washington, D.C., who were instrumental in reaching settlement terms with Bostwick Laboratories. The case is *U.S. ex rel. Daugherty v. Bostwick Labs, et al.*, No. 1:08-cv-354, in the U.S. District Court, Southern District of Ohio.

**Morgan Verkamp, LLC represents clients nationwide in cases under the False Claims Act.**