

LINK: <http://www.justice.gov/opa/pr/orthofix-subsiidiary-blackstone-medical-pays-us-30-million-settle-false-claims-act-allegations>

**Department of Justice**  
Office of Public Affairs

FOR IMMEDIATE RELEASE

Friday, November 2, 2012

**Orthofix Subsidiary, Blackstone Medical, Pays U.S. \$30 Million to Settle False Claims Act Allegations**

**Allegedly Paid Kickbacks to Doctors to Induce Use of Company's Products**

Orthofix International NV, has agreed to pay the United States \$30 million to settle allegations that an Orthofix subsidiary, Blackstone Medical Inc., paid illegal kickbacks to physicians in order to induce use of the company's products, the Justice Department announced today. Orthofix, which manufactures spinal implants and other spinal surgery products, is a publicly traded company headquartered in Curacao.

The civil settlement resolves allegations that Blackstone paid kickbacks to spinal surgeons. These alleged kickbacks took a number of forms, including sham consulting agreements, sham royalty arrangements, sham research grants, travel and entertainment.

"Kickbacks to physicians are incompatible with a properly functioning health care system," said Stuart F. Delery, the Acting Assistant Attorney General for the Department's Civil Division. "They can corrupt physicians' medical judgment and cause misallocation of vital health care resources. Today's settlement reflects the progress we are making in the ongoing fight against abusive and illegal practices in the healthcare industry."

"This settlement demonstrates the government's continued resolve to ensure that patients receive, and the government pays for, health care that is based solely on sound medical judgment, not compromised by kickbacks," said Carmen M. Ortiz, U.S. Attorney for the District of Massachusetts. "We believe that this is a just and meaningful resolution that is in the best interests of the citizens of the Commonwealth and taxpayers across the nation."

"To those contemplating taking advantage of Medicare for their own gain, today's settlement sends a loud, clear message," said Susan Waddell, Special Agent in Charge of the U.S. Department of Health and Human Services Office of Inspector General New England region. "Law enforcement will work aggressively to eliminate efforts to abuse vital taxpayer-funded health care programs."

“Our men and women in uniform and their beneficiaries rely on their healthcare providers to perform their jobs without bias and make decisions in the best interest of their patients,” said Kathryn Feeney, Resident Agent in Charge for the Defense Criminal Investigative Service, New Haven Resident Agency. “Kickbacks, like those alleged here, undermine the TRICARE Military Health System . A settlement like this helps maintain the integrity of an important program our armed services depend on.”

“Blackstone Medical, Inc. now knows the FBI and our law enforcement partners are committed to investigating and uncovering healthcare fraud in all its forms, particularly schemes like the kickbacks Blackstone perpetrated to obtain profits at the expense of taxpayers,” said Richard DesLauriers, Special Agent in Charge of the Federal Bureau of Investigation Boston Field Division.

As part of the settlement, Orthofix also agreed to enter into a corporate integrity agreement with the Office of Inspector General of the Department of Health and Human Services, which provides for procedures and reviews to be put in place to avoid and promptly detect conduct similar to that alleged in this matter.

The allegations resolved by today’s settlement were initially alleged in a whistleblower suit filed under the False Claims Act, which authorizes private citizens to bring suit on behalf of the government for false claims for government funds, and share in any recovery. The whistleblower in this case, Susan Hutcheson, will receive \$8 million as her share of the settlement amount.

This resolution is part of the government’s emphasis on combating health care fraud and another step for the Health Care Fraud Prevention and Enforcement Action Team (HEAT) initiative, which was announced by Attorney General Eric Holder and Kathleen Sebelius, Secretary of the Department of Health and Human Services in May 2009. The partnership between the two departments has focused efforts to reduce and prevent Medicare and Medicaid financial fraud through enhanced cooperation. One of the most powerful tools in that effort is the False Claims Act, which the Justice Department has used to recover \$9.5 billion since January 2009 in cases involving fraud against federal health care programs. The Justice Department’s total recoveries in False Claims Act cases since January 2009 are over \$13.2 billion.

The case was handled by the Justice Department’s Civil Division, the U.S. Attorney’s Office for the District of Massachusetts, Office of Inspector General of the Department of Health and Human Services, the FBI and the Defense Criminal Investigative Service of the Department of Defense. The claims settled by this agreement are allegations only, and there has been no determination of liability.

The lawsuit was captioned *United States ex rel. Hutcheson v. Blackstone Medical, Inc., et al.*, Civil Action No. 06-11771-WGY (D. Mass.).

12-1309

Civil Division

Updated September 15, 2014