

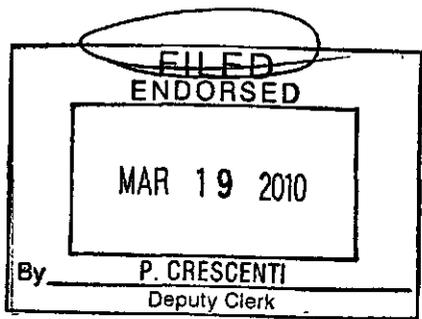
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**IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA  
IN AND FOR THE COUNTY OF SACRAMENTO**

**STATE OF CALIFORNIA *ex rel.* HUNTER LABORATORIES, LLC and CHRIS RIEDEL, an individual,**

**Plaintiff,**

**vs.**

**LABORATORY CORPORATION OF AMERICA, a Delaware corporation; LABORATORY CORPORATION OF AMERICA HOLDINGS, a Delaware corporation; and Does 11 through 100, inclusive,**

**Defendants.**

Case No. 34-2009-00066517

**COMPLAINT FOR**

- (1) MONEY DAMAGES AND CIVIL PENALTIES FOR VIOLATIONS OF CALIFORNIA FALSE CLAIMS ACT;**
- (2) COMMON COUNTS**

**REDACTED  
PURSUANT TO  
COURT ORDER**

**ORIGINAL**

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1 Plaintiffs STATE OF CALIFORNIA ("California") and *Qui Tam* Plaintiffs  
2 HUNTER LABORATORIES, LLC and CHRIS RIEDEL, allege as follows:

3 **I. INTRODUCTION**

4 1. Over the past 14 years, Defendants Laboratory Corporation of America and  
5 Laboratory Corporation of America Holdings (collectively, "LabCorp" or "Defendants")  
6 have billed and received from California's Medi-Cal program over **\$104 million** in  
7 taxpayer money. As described in this Complaint, these revenues are the result of a  
8 systematic fraud committed by LabCorp against the State, through which LabCorp has  
9 overcharged the State on at least 79% of the claims for payment it submitted.  
10 Consequently, the State of California, and its taxpayers, are owed the return of over **\$72**  
11 **million** from the LabCorp Defendants. Additionally, because LabCorp's overcharges  
12 violated the California False Claims Act, California is entitled to treble damages and a  
13 penalty of up to \$10,000 for every one of LabCorp's 5.5 million overcharges.

14 2. LabCorp has secretly treated California's Medi-Cal program as a means of  
15 fraudulently padding its profits, disregarding Medi-Cal's important role as a crucial,  
16 taxpayer-funded safety net for Californians unable to afford health care. Intended to  
17 provide essential care for Californians in need -- a role that is especially critical during  
18 the financial crisis currently facing Californians -- Medi-Cal funds are stretched to their  
19 limit. Too many times, Medi-Cal has been subject to fraud and abuse by unscrupulous  
20 providers who have put profits above the public good. Funds that have been designated  
21 for essential services to the neediest among Californians have been diverted away because  
22 of false billing schemes. Those fraudulent schemes have diminished the quality of care,  
23 unnecessarily burdened taxpayers, and degraded the medical profession. This case, a  
24 prime example of that behavior, is being brought to stop rampant Medi-Cal fraud in the  
25 clinical laboratory industry, carried out over a period of years by LabCorp.

26 3. LabCorp's fraud has been knowingly perpetrated against a backdrop of  
27 unique, clearly defined law that requires Medi-Cal providers to bill Medi-Cal their *lowest*  
28 rates for the same services under comparable circumstances. Instead, these Defendants

1 have habitually billed Medi-Cal some of their *highest* rates, deeply discounting many of  
2 their *private* fees to draw in lucrative Medi-Cal and other referrals. As but one example,  
3 one of the most commonly ordered laboratory tests is a Basic Metabolic Panel. LabCorp  
4 has charged non-Medi-Cal customers as little as [REDACTED] for the test. In violation of  
5 California law, LabCorp has not offered the same discount to Medi-Cal, and instead has  
6 regularly charged Medi-Cal -- for the same test, conducted by LabCorp in the same way --  
7 at or above the maximum reimbursement rate of \$8.52. As a result, when the customer  
8 refers a Medi-Cal patient to LabCorp for testing, Medi-Cal pays more than [REDACTED] times as  
9 much as the referring customer pays for the identical service. There is no difference in  
10 the circumstances of the tests that justify these different prices or make them  
11 incomparable.

12 4. Each one of these charges to Medi-Cal that exceeds a discounted price  
13 given to other customers under comparable circumstances constitutes a violation of the  
14 California False Claims Act (Gov. Code §§ 12650 *et seq.*), and a breach of Defendants'  
15 contracts with the State of California. The violations are many. Indeed, over the entire  
16 14-year period covered by this Amended Complaint, the Defendants named herein have  
17 submitted over 5.5 million false claims for payment to the State of California. On  
18 average, these claims over-billed California by 68%. In total, LabCorp has over-billed  
19 California by approximately \$72 million, when contrasted with LabCorp's charges to  
20 other purchasers for comparable services under comparable circumstances.

21 5. Specific examples of these 5.5 million false claims are provided below, in  
22 Section VI, and in Exhibit B.

23 6. In addition to violating California's low price law, Defendants' discounts,  
24 when they are provided to induce the referral of Medi-Cal business, also amount to illegal  
25 kickbacks under California law. *See, e.g.*, Bus. & Prof. Code § 650.

26 7. This suit calls Defendants to answer for defrauding California's taxpayers  
27 and compromising the welfare of California's Medi-Cal beneficiaries.

1 **II. OVERVIEW OF THE SCHEME**

2 8. This is a *qui tam* action for violation of California's False Claims Act, Gov.  
3 Code §§ 12650 *et seq.*, to recover treble damages, civil penalties and attorneys' fees and  
4 costs for Plaintiffs and on behalf of California for fraudulent Medi-Cal billings.

5 9. This case was originally filed in San Mateo County Superior Court on  
6 November 7, 2005. Non-public information personally known to CHRIS RIEDEL and  
7 his businesses served as the basis for the complaint and amended complaints filed in the  
8 case. The case was transferred to Sacramento Superior Court on May 20, 2009, and  
9 assigned case number CIV 34-2009-00048046.

10 10. As will be discussed in more detail below, Defendants made false claims to  
11 Medi-Cal for payment for laboratory tests by submitting claims that were for more than  
12 Defendants were entitled to receive under California statutes, and under regulations of the  
13 California Department of Health Care Services ("DHCS") (formerly the California  
14 Department of Health Services ("DHS")), by submitting claims for which no payment at  
15 all was due because the services for which payment was being sought were procured by  
16 means of illegal kickbacks, by falsely representing that the fees being claimed were no  
17 greater than the Defendants had a right to receive, and by falsely representing that  
18 Defendants were entitled to receive fees that were claimed for Medi-Cal business that was  
19 procured by means of illegal kickbacks.

20 11. The claims that are the subject of this Complaint were paid by California as  
21 a result of its mistaken belief, caused by Defendants' acts and omissions, that Defendants  
22 had a right to receive the full amount of the payments made. Defendants fraudulently  
23 concealed the fact that they did not have a right to those payments by means of the false  
24 claims and representations described in the preceding paragraph and the rest of this  
25 Complaint. California first learned of those false claims and representations on or about  
26 November 7, 2005, when it was served with a copy of the original complaint in this  
27 matter. California pleads an alternate common count theory of recovery.

1           12. Defendants are clinical medical laboratories that perform a variety of lab  
2 tests for patients across the state. The lab industry is highly competitive, and through a  
3 corps of sales representatives, Defendants actively solicit the referral of business from  
4 healthcare providers, such as individual physicians, hospitals, clinics, independent  
5 physician associations (“IPAs”), group purchasing organizations (“GPOs”), and health  
6 maintenance organizations. These medical providers generally have a choice of medical  
7 laboratories to which they can send their patients’ lab tests. The lab tests are ordered by  
8 “CPT” (Current Procedure Technology) code, which are standard across the healthcare  
9 industry, or by a lab-specific order code. All tests ordered under the same code are  
10 performed in the same manner by the lab. Once the lab tests are completed, the  
11 laboratory bills various entities for the tests. For some patients’ lab tests, Defendants bill  
12 the medical providers who ordered the tests. For many other patients, Defendants bill  
13 Medi-Cal, Medicare, patients, or third-party insurers.

14           13. In order to secure the business and referrals of the medical providers,  
15 Defendants offer deeply discounted prices, often below cost, for those tests paid for by  
16 the medical providers. The medical providers thereby lower their costs, and can increase  
17 their profits. In exchange for these discounts, the medical providers refer their Medi-Cal  
18 patients (and other patients for whom the providers do not pay) to the same lab. These  
19 referrals, obtained in exchange for discounts, are referred to by industry insiders as “pull-  
20 through.” As discussed below, these discounts, when they are provided to induce the  
21 pull-through of Medi-Cal business, amount to illegal kickbacks under California law. *See*  
22 *Bus. & Prof. Code § 650.*

23           14. As mentioned, for those lab tests for which Defendants bill the medical  
24 providers, they charge deeply discounted prices. For those lab tests conducted on Medi-  
25 Cal patients, however, Defendants bill Medi-Cal, rather than the medical provider. When  
26 they do so, they typically bill Medi-Cal the highest amount that they charge any client.  
27 This is illegal. The Medi-Cal regulations require Defendants to charge Medi-Cal the  
28 lowest price that they offer to others for the same tests under comparable circumstances.

1 See 22 Cal. Code Regs. § 51501. Defendants have clandestinely violated California Code  
2 of Regulations, title 22, section 51501.

3 15. Specifically, California Code of Regulations, title 22, section 51501,  
4 subdivision (a), requires as follows:

5 *Notwithstanding any other provisions of these regulations,*  
6 *no provider shall charge for any service or any article more*  
7 *than would have been charged for the same service or article*  
8 *to other purchasers of comparable services or articles under*  
9 *comparable circumstances.* (Emphasis added.)

10 16. That regulation is intended to address “federal and state concerns with dual  
11 pricing and the Department’s obligation to see that Medi-Cal is managed economically.”  
12 *Physicians & Surgeons Laboratories, Inc. v. Department of Health Services* (1992) 6  
13 Cal.App.4th 968, 985. Defendants were free to charge any other purchaser any fee for  
14 their services, so long as Medi-Cal obtained the best price available to other purchasers of  
15 comparable services under comparable circumstances. All examples of discounted prices  
16 in this Amended Complaint were given by LabCorp for comparable services under  
17 comparable circumstances.

18 17. Defendants’ Medi-Cal Provider Agreements also made clear their duty,  
19 consistent with the program’s public purposes, to charge their *lowest fees* to California  
20 and refrain from conduct that would harm the Medi-Cal program or its beneficiaries.  
21 Among other commitments, Defendants agreed to do all of the following:

22 **Compliance with Laws and Regulations.** Provider agrees to  
23 comply with all applicable provisions of Chapters 7 and 8 of  
24 the Welfare and Institutions Code (commencing with Sections  
25 14000 and 14200), and any applicable rules or regulations  
26 promulgated by DHS pursuant to these chapters. . . .

27 **Forbidden Conduct.** Provider agrees that it shall not engage  
28 in conduct inimical to the public health, morals, welfare and  
29 safety of any Medi-Cal beneficiary, *or the fiscal integrity of*  
30 *the Medi-Cal program.* (Emphasis added.)

31 . . .  
32 **Provider Fraud and Abuse.** Provider agrees that it shall not  
33 engage in fraud or abuse.  
34 . . .

1           **Prohibition of Rebate, Refund or Discount.** Provider  
2 agrees that it shall not offer, give, furnish, or deliver any  
3 rebate, refund, commission, preference, patronage dividend,  
4 discount, or any other gratuitous consideration, in connection  
5 with the rendering of health care services to any Medi-Cal  
6 beneficiary. Provider further agrees that it shall not solicit,  
7 request, accept, or receive, any rebate, refund, commission,  
8 preference, patronage dividend, discount, or any other  
9 gratuitous consideration, in connection with the rendering of  
10 health care services to any Medi-Cal beneficiary. Provider  
11 further agrees that it shall not take any other action or receive  
12 any other benefit prohibited by state or federal law.

13           18.     In other words, Defendants agreed to **bill Medi-Cal at their lowest rates**,  
14 not to give or take *kickbacks*, and to conduct their business relationship with California  
15 with a view to the *program's public purpose* and the *welfare of California's citizens*.

16           19.     Defendants have repeatedly defrauded the Medi-Cal program by charging  
17 California fees well in excess of those charged to other purchasers under comparable  
18 circumstances. Rather than abide by DHCS regulations and their Medi-Cal Provider  
19 Agreements, Defendants provided clinical laboratory services to private physicians,  
20 clinics, hospitals, IPAs, GPOs, and other health care providers at fees deeply discounted  
21 below what they charged Medi-Cal, and below the maximum payments permitted under  
22 Medi-Cal's published fee schedule, for the same services under comparable  
23 circumstances. Those maximum allowances are only payable when the provider charges  
24 no lower fee, and charging Medi-Cal more for any service than was charged to other  
25 purchasers of comparable services under comparable circumstances violates Medi-Cal  
26 regulations.

27           20.     Defendants actively concealed the acts alleged herein from the State of  
28 California. Defendants never informed California of the discounted prices they charged  
their other customers. Moreover, Defendants knew the pull-through scam described  
herein was illegal, and hid that scam from California.

          21.     In this lawsuit, Plaintiffs demand treble damages, civil penalties of up to  
\$10,000 for each false claim, and other relief provided by California's False Claims Act.

1 **III. PARTIES**

2 22. The plaintiffs in this action are the STATE OF CALIFORNIA and *Qui Tam*  
3 Plaintiffs HUNTER LABORATORIES, LLC and CHRIS RIEDEL. At all times material  
4 to this action, DHCS was an agency of Plaintiff State of California and administered  
5 California's Medi-Cal program, which paid benefits from a combination of State and  
6 Federal Government funds in an approximate 50/50 ratio. DHCS provided Medi-Cal  
7 benefits to qualified recipients, which included payment of claims to Defendants for their  
8 laboratory tests. These claims were paid based upon Defendants' false representations,  
9 among other things, that the fees being charged were calculated in accordance with  
10 applicable Medi-Cal regulations, and were not the result of unlawful kickbacks.

11 23. *Qui Tam* Plaintiff HUNTER LABORATORIES, LLC ("HUNTER") is an  
12 affiliate of Hunter Laboratories, Inc. ("Hunter Labs"), a corporation organized and  
13 existing under the laws of California that is engaged in the commercial reference  
14 laboratory business.

15 24. *Qui Tam* Plaintiff CHRIS RIEDEL ("RIEDEL") is an individual engaged in  
16 the commercial reference laboratory business.

17 25. Defendant LABORATORY CORPORATION OF AMERICA, f/k/a  
18 National Health Laboratories, d/b/a Laboratory Corp of America (Cal. Corp. No.  
19 C0644716) ("LABORATORY CORP") is a Delaware corporation that operates clinical  
20 laboratory facilities throughout the United States. At all times relevant hereto,  
21 LABORATORY CORP was and is conducting business in California. Among other  
22 locations within California, LABORATORY CORP has patient service centers at in  
23 Sacramento County at 5280 Elvas Avenue, Sacramento, California 95819; 500 University  
24 Avenue, 2<sup>nd</sup> floor, Sacramento, California 95825; 8100 Timberlake Way, Suite B,  
25 Sacramento, California 95823; 1008 Riley Street, Suite 4, Folsom, California 95630;  
26 1600 Creekside Drive, Suite 1700, Folsom, California 95630. *Qui Tam* Plaintiffs are  
27 informed and believe that LABORATORY CORP is the second largest clinical laboratory  
28 in the United States, with total annual revenue of more than \$3 billion. Plaintiff sues

1 LABORATORY CORP both based on conduct of LABORATORY CORP itself and in  
2 LABORATORY CORP's capacity as parent of or successor to, by purchase, merger,  
3 consolidation, asset acquisition, or otherwise, each of the following:

4 (a) Allied Clinical Laboratories, Inc. (Cal. Corp. No. C1267750), an  
5 Oregon corporation whose principal place of business is at 358 Main Street, Burlington,  
6 North Carolina 27215 and which does business in California at 2970 5th Avenue, San  
7 Diego, CA 92103;

8 (b) Bio-Diagnostics Laboratories (Cal. Corp. No. C0959959), a  
9 California corporation whose principal place of business was at 2201 Hamilton Avenue,  
10 Suite 200, Torrance, CA 90502;

11 (c) Immunodiagnostic Laboratories, Inc. ("IDL"), a business entity  
12 whose principal place of business was at 10930 Bigge Street, San Leandro, CA 94577  
13 and which LabCorp acquired in or about June of 2005;

14 (d) U.S. Pathology Labs (Cal. Corp. No. C2116391), a Delaware  
15 corporation whose principal place of business is at 430 South Spring Street, Burlington,  
16 North Carolina 27215, whose principal place of business in California is at 2601 Campus  
17 Drive, Irvine, California 92612-1601, and which LabCorp acquired in or about February  
18 of 2005;

19 (e) Esoterix, Inc. (Cal. Corp. No. C2656180), a California corporation  
20 which LabCorp acquired in or about May of 2005, whose principal place of business is  
21 430 South Spring Street, Burlington, NC 27215, and which operates testing centers in  
22 California in Calabassas Hills and San Diego, California.

23 (f) Richard Severance, M.D., dba Redding Pathologists Lab, a clinical  
24 reference laboratory whose principal place of business is at 1725 Gold Street, Redding,  
25 California 96007 and which LabCorp acquired in or about 2005;

26 (g) The Lab (Cal. Corp. No. C1816608), a California corporation whose  
27 principal place of business is at 1008-A Riley Street, Folsom, California 95630 and which  
28 LabCorp acquired in or about 2006; and

1 (h) PoisonLab, Inc. (Cal. Corp. No. C1097144), a California  
2 Corporation whose principal place of business was 818 West Seventh St., Los Angeles,  
3 California, 90017, and which LabCorp acquired in or about 2003.

4 26. Defendant LABORATORY CORPORATION OF AMERICA  
5 HOLDINGS, f/k/a National Health Laboratories Holdings, Inc. (Cal. Corp. No.  
6 C1891831) (NYSE: LH) is a Delaware Corporation with its principal place of business in  
7 Burlington, North Carolina. *Qui Tam* Plaintiffs are informed and believe that  
8 LABORATORY CORP is a wholly-owned subsidiary of LABORATORY  
9 CORPORATION OF AMERICA HOLDINGS, and that LABORATORY  
10 CORPORATION OF AMERICA HOLDINGS determined one or more of the fee  
11 schedules pursuant to which LABORATORY CORP offered discounted rates to non-  
12 Medi-Cal customers in California. As used herein, "LABCORP" means and includes,  
13 individually and collectively, LABORATORY CORP and LABORATORY  
14 CORPORATION OF AMERICA HOLDINGS. Plaintiffs sue the LABCORP entities,  
15 and each of them, as participants, alter egos of one another, agents of one another, aiders  
16 and abettors of one another, actors in concert with one another, joint venturers and  
17 conspirators with one another in the acts, plans, schemes, and transactions that are the  
18 subject of this Complaint.

19 27. *Qui Tam* Plaintiffs are ignorant of the names and capacities of the  
20 Defendants sued herein as DOES 11 through 100, inclusive, and therefore sue such  
21 Defendants by fictitious names pursuant to California Code of Civil Procedure section  
22 474. *Qui Tam* Plaintiffs will amend this complaint to allege the true names and capacities  
23 of the fictitiously named Defendants once ascertained. *Qui Tam* Plaintiffs are informed  
24 and believe that Defendants Does 11 through 100, inclusive, are in some manner  
25 responsible for the actions alleged herein.

26 **IV. RELATION BACK/EQUITABLE TOLLING**

27 28. The original complaint against LABCORP was filed on November 7, 2005,  
28 in San Mateo County Superior Court. The present complaint satisfies the elements of the

1 relation-back doctrine. Among other items, this complaint rests on the same set of  
2 general facts, involves the same damages, and the same basis for liability, as the original  
3 complaint.

4 29. This complaint is also subject to equitable tolling during the period of  
5 pendency of the original complaint, because (1) LABCORP was named in the original  
6 complaint as a defendant, and it therefore received timely notice of all claims contained in  
7 this complaint; (2) the claims of this complaint are identical to the claims against  
8 LABCORP contained in the original complaint; and (3) Plaintiffs have not delayed in  
9 filing this complaint, and have not taken any action to mislead LABCORP into believing  
10 that Plaintiffs would forego the filing of this complaint.

11 **V. THE COMMERCIAL LABORATORY BUSINESS**

12 30. LABCORP is a commercial reference laboratory. Commercial reference  
13 laboratories perform clinical laboratory services, which entail analyses of human blood,  
14 urine, stool, and other body specimens to assist physicians in diagnosing human disease  
15 and monitoring treatment. Two types of laboratories generally perform clinical laboratory  
16 services. Hospital laboratories are primarily concerned with inpatient testing.  
17 Commercial reference laboratories primarily provide outpatient testing for physician  
18 offices and/or esoteric testing for hospitals and other laboratories.

19 31. Commercial reference laboratories, including LABCORP, perform clinical  
20 laboratory services for patients covered under California's Medi-Cal program, which is  
21 administered by the DHCS. Commercial reference laboratories obtain requests for  
22 clinical tests from physicians and hospitals. When these tests are eligible for Medi-Cal  
23 reimbursement, Defendants submit electronic and/or paper invoices directly to DHCS or  
24 its fiscal intermediary for Medi-Cal reimbursement, identifying the tests by a uniform  
25 Current Procedure Technology ("CPT") code. Those invoices are stored in electronic  
26 form on computer hard drives and other storage devices maintained by Defendants and  
27 DHCS. Defendants are required by their Medi-Cal provider agreements to retain these  
28 records for at least three years.

1 **VI. DEFENDANTS VIOLATED THE FALSE CLAIMS ACT BY CHARGING**  
2 **CALIFORNIA MORE THAN OTHER PURCHASERS FOR THE SAME**  
3 **TESTS UNDER COMPARABLE CIRCUMSTANCES**

4 32. Under Title 22, Section 51501, subdivision (a) of the California Code of  
5 Regulations, "no provider shall charge for any service or any article more than would  
6 have been charged for the same service or article to other purchasers of comparable  
7 services or articles under comparable circumstances." Charges in excess of the maximum  
8 allowable fees are subject to recovery under both the Medi-Cal statute (Cal. Welf. & Inst.  
9 Code § 14107.11) and the California False Claims Act (Gov. Code §§ 12650 *et seq.*), as  
10 well as under common law.

11 33. Defendants submitted electronic or paper invoices for clinical laboratory  
12 tests directly to DHCS or its fiscal intermediary for Medi-Cal for reimbursement. When  
13 submitting these invoices to Medi-Cal for reimbursement, Defendants did not apply the  
14 same discounts that they gave to other purchasers of the same lab services under  
15 comparable circumstances. Defendants, and each of them, instead submitted invoices for  
16 an amount that exceeded the discounted amount charged to other customers under  
17 comparable circumstances, and in most cases equaled or exceeded the maximum Medi-  
18 Cal reimbursement rate for each test performed. Each of those invoices constituted a  
19 false claim, as an overcharge to DHCS.

20 34. Each of those claims was further false because, in submitting those claims  
21 for payment to Medi-Cal, each Defendant represented that its fees complied with DHCS  
22 regulations. Those representations were false, in that Defendants were in fact charging  
23 far lower fees for the same services to other purchasers of comparable services under  
24 comparable circumstances, in violation of Section 51501.

25 35. Defendants have submitted 5,503,764 such false claims for payment to  
26 California since November 1, 1995.

27  
28 ///

1 36. California has been damaged as a result of the foregoing false claims in the  
 2 total amount of approximately \$72 million, which does not include treble damages or civil  
 3 penalties.

4 37. The following chart, and Exhibit A to this Complaint, provide just a few  
 5 examples of the discounts offered by LABCORP to purchasers in its "San Diego West"  
 6 region, and compares them with the examples of the amount that LABCORP charged to  
 7 Medi-Cal for the same tests (as the chart reflects, LABCORP charged Medi-Cal more  
 8 than the Medi-Cal maximum, so the amount paid by Medi-Cal was in most cases  
 9 automatically reduced to the maximum). These examples -- based on information  
 10 obtained by *Qui Tam* Plaintiffs, independent of any document production by Defendants,  
 11 and attached to this Amended Complaint as Exhibit A -- show LABCORP's non-  
 12 Medi-Cal fees to be well below what it charged to DHCS for Medi-Cal reimbursement,  
 13 for the same tests, under comparable circumstances. The final column shows the  
 14 overpayment resulting from the false claim, as a percentage of the proper amount that  
 15 LABCORP should have claimed.

Test Name	CPT	Amount Charged to Medi-Cal	Amount Paid by Medi-Cal	Date of Charge to Medi-Cal	[REDACTED]	Name of Fee Schedule (i.e., Price List)	Effective Date of Fee Schedule	[REDACTED]
CBC w Diff & Platelets	85025	\$22.00	\$14.12	6/27/02	[REDACTED]	San Diego West	2001 2002	[REDACTED]
Lipid Panel	80061	\$57.00	\$13.88	1/2/01	[REDACTED]	San Diego West	2001 2002	[REDACTED]
Hemoglobin (A1C)	83036	\$72.25	\$12.78	1/9/01	[REDACTED]	San Diego West	2001 2002	[REDACTED]
Culture, Urine	87088	\$35.50	\$8.49	10/11/02	[REDACTED]	San Diego West	2001 2002	[REDACTED]
Urinalysis w/micro	81001	\$17.25	\$6.10	6/27/02	[REDACTED]	San Diego West	2001 2002	[REDACTED]
Basic Metabolic	80048	\$17.50	\$11.07	1/9/01	[REDACTED]	San Diego West	2001 2002	[REDACTED]

Test Name	CPT	Amount Charged to Medi-Cal	Amount Paid by Medi-Cal	Date of Charge to Medi-Cal	[REDACTED]	Name of Fee Schedule (i.e., Price List)	Effective Date of Fee Schedule	[REDACTED]
Hepatic Function Panel	80076	\$36.50	\$14.89	9/9/02	[REDACTED]	San Diego West	2001 2002	[REDACTED]
Urinanalysis	81003	\$14.25	\$3.95	10/11/02	[REDACTED]	San Diego West	2001 2002	[REDACTED]
Estradiol	82670	\$103.00	\$53.07	1/22/01	[REDACTED]	San Diego West	2001 2002	[REDACTED]
FSH	83001	\$55.00	\$35.01	1/22/01	[REDACTED]	San Diego West	2001 2002	[REDACTED]

38. The foregoing chart provides just examples of LABCORP's overcharges. LABCORP has also offered and charged lower rates to, and collected lower rates from, other purchasers of the same lab services, under comparable circumstances, than it charged to and collected from DHCS for Medi-Cal reimbursement for other tests within the 80000 to 89999 range of CPT codes, and has done so from at least November 1, 1995, to the present.

39. Plaintiffs are in possession of other LABCORP fee schedules and invoices, produced by LABCORP, in addition to those containing the information provided in the foregoing chart, that further prove that LABCORP provided discounts that it did not provide to Medi-Cal. LABCORP asserts that the fee schedules and invoices it produced are confidential. The following table provides additional examples of Defendants' false claims, based on discounted prices reflected in the fee schedules and invoices designated as confidential.

40. For CPT 80053, which is a Comprehensive Metabolic Panel, in 2007, LABCORP charged discounted prices to many of its purchasers. For example, LABCORP charged the following purchasers, the following fees, between January 1, 2007, and December 31, 2007:

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[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

41. Each of the foregoing discounted prices was for the same test, under comparable circumstances, as those tests performed for by LABCORP and billed to DHCS.

42. During the same period, between January 1, 2007, and December 31, 2007, LABCORP billed Medi-Cal thousands of times for CPT 80053. Of those bills, 99% were for more than the amounts charged to the private purchasers listed in the foregoing table. Each of those bills therefore constituted a false claim, because each bill overcharged Medi-Cal in violation of Section 51501. A sample of these false claims is provided in the following table (as the chart reflects, LABCORP charged Medi-Cal more than the Medi-Cal maximum, so the amount paid by Medi-Cal was in most cases automatically reduced to the maximum). The final column shows the overpayment resulting from the false claim, as a percentage of the proper amount that LABCORP should have claimed:

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1 code, the total number of false claims submitted by LABCORP during the statutory  
2 period.

3 44. At all times relevant hereto, each Defendant "knew" or acted "knowingly,"  
4 as those terms are defined in California Government Code section 12650, subdivision  
5 (b)(2), in making, presenting, or submitting false claims. In that respect, each Defendant  
6 acted:

7 (a) With actual knowledge of the information; or

8 (b) In deliberate ignorance of the truth or falsity of the information; or

9 (c) With reckless disregard of the truth or falsity of the information

10 45. At all times relevant hereto, each Defendant presented false claims, as  
11 defined in California Government Code sections 12650 and 12651, by:

12 (a) Knowingly presenting or causing to be presented to an officer or  
13 employee of California false claims for payment or approval of claims for Medi-Cal  
14 reimbursement; and/or,

15 (b) Knowingly making, using, or causing to be made or used false  
16 records or statements to get false claims paid or approved by California for Medi-Cal  
17 reimbursement; and/or

18 (c) Being a beneficiary of inadvertent submissions of false claims to  
19 California, subsequently discovering the falsity of the claims, and failing to disclose the  
20 false claims to California within a reasonable time after discovery of the false claims.

21 46. Each Defendant submitted electronic or paper invoices to Medi-Cal for  
22 clinical laboratory testing that reflected fees higher than those charged by the Defendant  
23 to other purchasers of the same lab tests, under comparable circumstances.

24 47. *Qui Tam* Plaintiffs are informed and believe that at all times relevant hereto,  
25 each Defendant knew that its conduct would cause Medi-Cal to pay claims for the clinical  
26 laboratory tests based on fees higher than those charged for the same services to other  
27 purchasers of comparable services under comparable circumstances.

28

1           48.    As a result of the foregoing, each claim for payment that did not comply  
2 with Section 51501 was an overcharge, and therefore constituted a false claim in violation  
3 of California's False Claims Act (Gov. Code § 12650 *et seq.*).

4 **VII. DEFENDANTS VIOLATED THE FALSE CLAIMS ACT BY PROVIDING**  
5 **DISCOUNTED PRICES AS KICKBACKS IN EXCHANGE FOR THE**  
6 **REFERRAL OF "PULL-THROUGH" MEDI-CAL BUSINESS**

7           49.    As discussed above, Defendants violated the False Claims Act, on millions  
8 of occasions, by overcharging DHCS in violation of Section 51501. Defendants also  
9 violated the False Claims Act in a second way: by charging Medi-Cal for lab tests that  
10 were referred to Defendants by providers because of kickbacks offered to those providers  
11 by Defendants. Put differently, Defendants offered discounts on tests paid for by the  
12 purchasers -- the same discounts that caused a violation of Section 51501 -- in order to  
13 induce the referral of Medi-Cal business, for which Defendants charged Plaintiff  
14 California at rates far above the discounts.

15           50.    Defendants' entire business model revolves around providing these  
16 kickbacks to induce referrals. Defendants depended, and continue to depend, on these  
17 referrals of large volumes of Medi-Cal and other testing business to cover the losses they  
18 would otherwise sustain in offering deeply discounted testing services. Moreover, by  
19 offering those deeply discounted rates, Defendants have erected a nearly insurmountable  
20 "loss leader" barrier to entry into the subject market, in that for a significant part of the  
21 market, any would-be competitor can only attract new business by offering comparably  
22 discounted services, which cannot be performed at a profit.

23           51.    Defendants' practices are unlawful as kickback schemes, strictly prohibited  
24 by California's health care providers licensing and Medi-Cal statutes. Specifically,  
25 Business and Professions Code section 650 prohibits, *inter alia*, the offer or acceptance of  
26 "any rebate, refund, . . . preference, . . . *discount* or other consideration, whether in the  
27 form of money or otherwise, as compensation or inducement for referring patients,  
28 clients, or customers." (Emphasis added.) Welfare and Institutions Code section 14107.2

1 similarly prohibits every Medi-Cal provider from soliciting or receiving “any *kickback*,  
2 bribe, or rebate, *directly or indirectly, overtly or covertly*, in cash or in valuable  
3 consideration of any kind . . . [i]n return for the referral, or promised referral, of any  
4 person for the furnishing . . . of any service” covered by the Medi-Cal program.  
5 (Emphasis added.) Kickback schemes are also prohibited in Federal health care programs  
6 pursuant to 42 U.S.C. § 1320a-7b(b)(2)(A).

7 52. At all times relevant hereto, each Defendant knew that California law  
8 prohibited their giving or receiving these kickbacks. Defendants certified, both explicitly  
9 and implicitly, that each claim they submitted to Medi-Cal would fully comply with all  
10 statutes and regulations, including the anti-kickback provisions, and that as Medi-Cal  
11 providers, they would comply with all pertinent statutes and regulations, including the  
12 anti-kickback provisions.

13 53. Each claim submitted to DHCS that was referred to Defendants by a  
14 provider who received discounts from Defendants constitutes a false claim in violation of  
15 California’s False Claims Act (Gov. Code § 12650 *et seq.*).

16 **A. EVIDENCE OF KICKBACKS**

17 54. Plaintiffs have compiled abundant specific facts and evidence showing that  
18 LABCORP knowingly uses discounted pricing as an illegal kickback to induce the  
19 referral of pull-through Medi-Cal business, and that the pull-through Medi-Cal and other  
20 business is used to make up for profits lost as a result of offering the discounts.  
21 LABCORP has designated much of this evidence as “confidential,” in order to prevent it  
22 from being disclosed. Accordingly, the evidence is attached as Exhibits C-J to this  
23 Complaint, which Plaintiffs file under seal, and Plaintiffs redact all discussion of the facts  
24 and evidence in the publicly-filed version of this Complaint.

25 55. [REDACTED]  
26 [REDACTED]  
27 [REDACTED]

1 [REDACTED]  
2 [REDACTED]  
3 56. LABCORP derives revenue for each customer from a variety of payment  
4 sources (often referred to as "payor" type). In other words, as described above, lab tests  
5 ordered by the same medical provider, and all sent to LABCORP, will be paid for by  
6 different entities. Some of the lab tests will be paid for directly by the provider who order  
7 the test, or the IPA of which the provider is a member. These are the tests that are heavily  
8 discounted by LABCORP. Billing the providers directly is usually referred to as "Client"  
9 billing, or as "IPA" billing, and the revenue from those sources is usually referred to as  
10 "Client" or "IPA" revenue. Because discounts are given on these tests, Client or IPA  
11 revenue is often very low, even below cost in many cases. "[W]hen a laboratory offers or  
12 gives an item or service for free or less than fair market value to a referral source, an  
13 inference arises that the item or service is offered to induce the referral of business."  
14 OIG Advisory Opinion No. 08-06 (emphasis added).

15 57. Other tests ordered by the provider are billed by LABCORP to Medi-Cal.  
16 Because LABCORP charges Medi-Cal far more than it charges the providers, Medi-Cal  
17 revenues are typically, if not always, much higher than Client or IPA revenue.

18 58. The higher margins LABCORP makes on Medi-Cal and other pull-through  
19 billing thus make up for the losses LABCORP takes on the Client and IPA billing.  
20 [REDACTED]  
21 [REDACTED]  
22 [REDACTED]  
23 [REDACTED]  
24 [REDACTED]

25 59. LABCORP provides two different varieties of discounts to Clients and  
26 IPAs. The first variety are per-test charges, known as "fee for service" ("FFS") charges.  
27 With FFS charges, as discussed in Section VI above, LABCORP charges providers and  
28 groups of providers much lower prices than Defendants charge Medi-Cal for the exact

1 same lab tests. The second variety of discounts offered by LABCORP to providers and  
2 the groups to which they belong, are "capitated" rate discounts. A capitated rate is a fixed  
3 price charged by the lab, for all lab test services, per patient, usually on a monthly basis.  
4 In the lab setting, these capitated rates are commonly offered by labs to IPAs. Thus, for  
5 example, a given IPA may have 1,000 patient members. LABCORP will offer the IPA a  
6 capitated rate of \$1.00. The IPA therefore pays LABCORP \$1,000 per month (\$1.00 per  
7 member x 1000 members), for all the lab tests that the IPA's physicians order for those  
8 member patients in any given month.

9         60. LABCORP has used these capitated arrangements as a way to provide  
10 customers with even deeper discounts than the FFS discounts, and do so in a way that is  
11 more difficult for California to detect. Because LABCORP charges Medi-Cal on a FFS  
12 basis, more analysis is required to determine whether a discounted capitated rate has  
13 caused LABCORP to violate Section 51501. However, the discounted capitated rates  
14 charged by LABCORP to its private purchasers have indeed caused LABCORP to violate  
15 Section 51501 and the California False Claims Act.

16         61. Moreover, as with FFS discounts, LABCORP uses the discounted capitated  
17 rates in order to induce referral of Medi-Cal pull-through business, in violation of the  
18 anti-kickback statutes, and the California False Claims Act. The capitated rates offered  
19 by LABCORP are in many, if not most, cases, so low that LABCORP loses money on the  
20 capitated arrangements. LABCORP provides the capitated prices, however, as an  
21 inducement to its customers to refer all of their lab testing business to LABCORP,  
22 including Medi-Cal business, which LABCORP charges on a lucrative, FFS basis. As  
23 with the FFS discounts, if a customer who received discounted capitated rates is not  
24 referring enough pull-through business to LABCORP, LABCORP will "pull," or threaten  
25 to pull, the discounted capitated rates from that customer.

26         62. [REDACTED]  
27 [REDACTED]  
28 [REDACTED]

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63. [REDACTED]

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[REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]

64. An "accession" is a group of tests, ordered at one time, for one patient. Multiple tests are often ordered for the same patient, so an "accession" usually includes an average of two to three lab tests. In the lab industry, revenue, costs, and profits are often measured and reported on a per-accession basis. The average number of tests per accession does not vary significantly based on the payor.

65. [REDACTED]

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66. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

67. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

68. [REDACTED]

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[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

69. [REDACTED]

[REDACTED]

70. [REDACTED]

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71. [REDACTED]

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[REDACTED]	[REDACTED]

1	[REDACTED]	[REDACTED]
2	[REDACTED]	[REDACTED]
3	[REDACTED]	[REDACTED]
4	[REDACTED]	[REDACTED]

5        72. [REDACTED]

6 [REDACTED]

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9 [REDACTED]

10	[REDACTED]	[REDACTED]
11	[REDACTED]	[REDACTED]
12	[REDACTED]	[REDACTED]
13	[REDACTED]	[REDACTED]
14	[REDACTED]	[REDACTED]
15	[REDACTED]	[REDACTED]
16	[REDACTED]	[REDACTED]
17	[REDACTED]	[REDACTED]

18        73. [REDACTED]

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20 [REDACTED]

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23	[REDACTED]	[REDACTED]
24	[REDACTED]	[REDACTED]
25	[REDACTED]	[REDACTED]
26	[REDACTED]	[REDACTED]
27	[REDACTED]	[REDACTED]
28	[REDACTED]	[REDACTED]

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3	[REDACTED]	[REDACTED]

4 74. [REDACTED]

5 [REDACTED]

6 [REDACTED]

7	[REDACTED]	[REDACTED]
8	[REDACTED]	[REDACTED]
9	[REDACTED]	[REDACTED]
10	[REDACTED]	[REDACTED]
11	[REDACTED]	[REDACTED]
12	[REDACTED]	[REDACTED]
13	[REDACTED]	[REDACTED]
14	[REDACTED]	[REDACTED]

15 75. [REDACTED]

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22 77. [REDACTED]

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78. [REDACTED]

[REDACTED]

79. This illegal kickback scheme is further confirmed by former LABCORP personnel. For example, Richard Prendergast, the former Northern California Associate Manager of Business Development for LABCORP, provided the following account of LABCORP's practices:

During my tenure at LabCorp, it was LabCorp's company practice to offer discounts below Medi-Cal rates throughout Northern California . . . I personally authorized many below-Medi-Cal discounts for clients throughout Northern California. Those pricing discounts were further approved by my boss, Jeff Glen, who was LabCorp's Operations Manager, Western Region. **These discounts, and LabCorp's authorization thereof -- were based on the estimated monthly volume of "pull-through" business that each account would bring in. That "pull-through" business included lab tests for which Medi-Cal was billed, and billed at rates much higher than the discounts.** I never had any indication that the same discounts were provided to Medi-Cal, and I have seen LabCorp reports showing that Medi-Cal did not receive these discounts. . . . LabCorp continues to offer these kickbacks, in the form of discounts.

See Exhibit K. These practices have continued from November 2005, to the present.

80. LABCORP thus provides loss-leader discounts to its customers using capitated rates, in order to induce the referral of pull-through business paid for by Medi-Cal and other third-party payors. LABCORP does not offer the same discounts to Medi-Cal, and is therefore able to make great profits on the pull-through, and make up for the losses on the discounted capitated rates. This is an illegal kickback scheme, no more legal than if LABCORP, rather than providing below-cost discounts, had instead simply handed the customers an envelope of cash.

///

1           **B. PROVIDING DISCOUNTS TO INDUCE MEDI-CAL REFERRALS**  
2           **CONSTITUTES AN ILLEGAL KICKBACK**

3           81. As discussed above, Defendants' practices are unlawful as kickback  
4 schemes, in violation of Business and Professions Code section 650, and Welfare and  
5 Institutions Code section 14107.2. Section 650 prohibits, *inter alia*, the offer or  
6 acceptance of "any rebate, refund, . . . preference, . . . *discount* or other consideration,  
7 whether in the form of money or otherwise, as compensation or inducement for referring  
8 patients, clients, or customers." (Emphasis added.) Welfare and Institutions Code  
9 section 14107.2 similarly prohibits every Medi-Cal provider from soliciting or receiving  
10 "any *kickback*, bribe, or rebate, *directly or indirectly, overtly or covertly*, in cash or in  
11 valuable consideration of any kind . . . [i]n return for the referral, or promised referral, of  
12 any person for the furnishing . . . of any service" covered by the Medi-Cal program.  
13 (Emphasis added.)

14           82. Kickback schemes are also prohibited in Federal health care programs  
15 pursuant to 42 U.S.C. § 1320a-7b(b)(2)(A), which contains almost identical language,  
16 prohibiting the offer of "any remuneration (including any kickback, bribe, or rebate)  
17 directly or indirectly, overtly or covertly, in cash or in kind to any person to induce such  
18 person . . . to refer an individual to a person for the furnishing or arranging for the  
19 furnishing of any item or service for which payment may be made in whole or in part  
20 under a Federal health care program . . ."

21           83. Interpretations of this language by the federal authorities provide useful  
22 guidance in applying the virtually-identical California laws, and establish that LABCORP  
23 has violated the California anti-kickback laws through the conduct described above. For  
24 example, the federal Department of Health and Human Services, Office of the Inspector  
25 General, reaffirmed just last year, on May 9, 2008, that: "[W]hen a laboratory offers or  
26 gives an item or service for free or less than fair market value to a referral source, an  
27 inference arises that the item or service is offered to induce the referral of business."  
28           OIG Advisory Opinion No. 08-06. An anti-kickback "violation arises if the discount

1 whatever its size is **implicitly or explicitly tied** to referrals of" government-funded  
2 business. OIG Opinion Letter, April 26, 2000.

3 84. LABCORP both implicitly and explicitly tied the discounts is provided to  
4 the referall of Medi-Cal business. Accordingly, LABCORP violated California's anti-  
5 kickback provisions. LABCORP presented to Medi-Cal claims for reimbursement of  
6 laboratory tests, the referral of which was induced, in whole or in part, directly or  
7 indirectly, overtly or covertly, by the provision of discounts. Each of those claims  
8 constitutes a violation of the California False Claims Act.

9 **VIII. LABCORP KNEW THAT ITS PRACTICES WERE ILLEGAL**

10 85. LABCORP knew that the foregoing practices were illegal. Accordingly, in  
11 its official policy documents, LABCORP has been careful to feign compliance with the  
12 law. Its actual practices, however, as described above, violated the law, and LABCORP's  
13 official policies. Accordingly, LABCORP's official policies only serve to demonstrate  
14 that LABCORP knowingly violated the law.

15 86. The policies also establish that LABCORP's management played an active  
16 role in all decisions regarding discounted pricing. Because LABCORP has claimed that  
17 its official policies are confidential, Plaintiffs cannot provide more details in the public  
18 portion of this Complaint. However, the LABCORP policy documents establishing  
19 LABCORP's knowledge of the illegality of its practices, and the involvement of  
20 LABCORP management in these practices, are attached as **Exhibits L-P**.

21 **IX. CAUSES OF ACTION**

22 **FIRST CAUSE OF ACTION**

23 **(Against All Defendants)**

24 **California False Claims Act, Presenting False Claims**

25 **California Government Code § 12651(a)(1)**

26 87. Plaintiffs incorporate herein by reference and reallege the allegations in  
27 Paragraphs 1 through 86, inclusive, of this Complaint.





1 of the claims, and failed to disclose the false claims to California within a reasonable time  
2 after discovery of the false claims.

3 101. Each Defendant was the beneficiary of false claims, bills, and charges to the  
4 Medi-Cal program for amounts that were higher than permitted by law, including but not  
5 limited to section 51501 of title 22 of the California Code of Regulations. Among other  
6 things, Defendants, and each of them, were the beneficiaries of false bills and charges to  
7 the Medi-Cal program for more than would have been charged for the same services to  
8 other purchasers of comparable services under comparable circumstances.

9 102. Each Defendant was the beneficiary of false claims for performance of  
10 Medi-Cal business that was obtained by means of, and as a result of, illegal kickbacks.

11 103. Each Defendant was the beneficiary of false certifications that the services  
12 for which it charged Medi-Cal were rendered in full compliance with all applicable  
13 statutes.

14 104. Each Defendant, on discovering that it was the beneficiary of the  
15 submission of false claims for Medi-Cal reimbursement, failed promptly to disclose the  
16 overcharge to California and failed to make restitution of payments to which it was not  
17 entitled.

18 105. The conduct of Defendants, and each of them, violated Government Code  
19 section 12651, subdivision (a)(8) and caused California to sustain damages in an amount  
20 according to proof pursuant to Government Code section 12651, subdivision (a).

#### 21 **FOURTH CAUSE OF ACTION**

22 **(Against Defendant LABORATORY CORP; By Plaintiff California)**

#### 23 **Common Count: Mistaken Receipt**

24 106. Plaintiff California incorporates herein by reference and realleges the  
25 allegations in Paragraphs 1 through 86, inclusive, of this Complaint.

26 107. Defendant LABORATORY CORP has become indebted to Plaintiff State  
27 of California in that California paid defendant the sum of \$72,478,529.10 by mistake, and  
28 Defendant LABORATORY CORP did not have a right to that money.

1           108. Neither the whole nor any part of this \$72,478,529.10 has been returned by  
2 Defendant LABORATORY CORP to California, though demand for it has been made,  
3 and there is now due, owing, and unpaid the sum of \$97,495,358.96 (which includes  
4 simple interest at 7 percent per annum through November 30, 2009 of \$25,016,829.86),  
5 plus simple interest on the \$97,495,358.96 at 7 percent per annum from December 1,  
6 2009.

7 **X.    PRAYER FOR RELIEF**

8           WHEREFORE, Plaintiff prays judgment in its favor and against Defendants as  
9 follows:

10           1. That judgment be entered in favor of plaintiff STATE OF CALIFORNIA,  
11 and against Defendants and against Defendants LABORATORY CORPORATION OF  
12 AMERICA, a Delaware corporation; LABORATORY CORPORATION OF AMERICA  
13 HOLDINGS, a Delaware corporation, and each of them, jointly and severally, according  
14 to proof, as follows:

- 15           a. On the First Cause of Action (Against All Defendants, California  
16 False Claims Act, Presenting False Claims, California Government  
17 Code § 12651(a)(1)), damages as provided by California  
18 Government Code section 12651, subdivision (a), in the amount of:
- 19           i. Triple the amount of California's damages;
  - 20           ii. Civil penalties of Ten Thousand Dollars (\$10,000.00) for  
21 each false claim;
  - 22           iii. Recovery of costs, attorneys' fees, and expenses;
  - 23           iv. Pre- and post-judgment interest;
  - 24           v. Such other and further relief as the Court deems just and  
25 proper;
- 26           b. On the Second Cause of Action (Against All Defendants, California  
27 False Claims Act, Making or Using False Records or Statements To  
28 Obtain Payment or Approval of False Claims, California

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Government Code § 12651(a)(2)), damages as provided by California Government Code section 12651, subdivision (a), in the amount of:

- i. Triple the amount of California's damages;
- ii. Civil penalties of Ten Thousand Dollars (\$10,000.00) for each false claim;
- iii. Recovery of costs, attorneys' fees, and expenses;
- iv. Pre- and post-judgment interest;
- v. Such other and further relief as the Court deems just and proper;

c. On the Third Cause of Action (In the Alternative, Against All Defendants, California False Claims Act, Retention of Proceeds Of Inadvertently Submitted False Claims, California Government Code § 12651(a)(8)) damages as provided by California Government Code section 12651, subdivision (a) in the amount of:

- i. Triple the amount of California's damages;
- ii. Civil penalties of Ten Thousand Dollars (\$10,000.00) for each false claim;
- iii. Recovery of costs, attorneys' fees, and expenses;
- iv. Pre- and post-judgment interest;
- v. Such other and further relief as the Court deems just and proper.

d. On the Fourth Cause of Action (Against Defendant LABCORP, Common Count: Mistaken Receipt),

- i. Damages according to proof;
- ii. Costs;
- iii. Pre- and post-judgment interest.

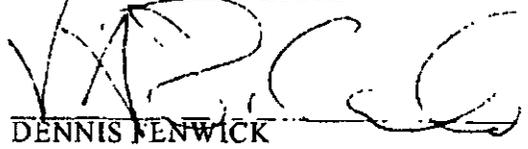
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2. Further, the *Qui Tam* Plaintiffs, on their behalf, request that they receive such maximum amount as permitted by law, of the proceeds of this action or settlement of this action collected by California, plus an amount for reasonable expenses incurred, plus reasonable attorneys' fees and costs of this action. The *Qui Tam* Plaintiffs request that their percentage be based upon the total value recovered, including any amounts received from individuals or entities not parties to this action.

DATED: December 14, 2009

**EDMUND G. BROWN  
ATTORNEY GENERAL**

By:



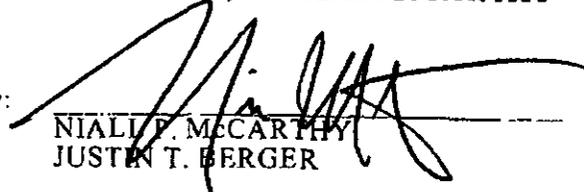
DENNIS FENWICK  
Deputy Attorney General  
VINCENT DICARLO  
Deputy Attorney General

*Attorneys for the State of California*

DATED: December 14, 2009

**COTCHETT, PITRE & McCARTHY**

By:



NIALL P. McCARTHY  
JUSTIN T. BERGER

*Attorneys for Qui Tam Plaintiffs  
Hunter Laboratories, LLC and Chris Riedel*



**EXHIBITS A-J  
FILED UNDER SEAL  
PURSUANT TO  
COURT ORDER**



**EXHIBITS A-J  
FILED UNDER SEAL  
PURSUANT TO  
COURT ORDER**



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COURT ORDER**



**EXHIBITS A-J  
FILED UNDER SEAL  
PURSUANT TO  
COURT ORDER**

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**EXHIBITS A-J  
FILED UNDER SEAL  
PURSUANT TO  
COURT ORDER**



**EXHIBITS A-J  
FILED UNDER SEAL  
PURSUANT TO  
COURT ORDER**



**EXHIBITS A-J  
FILED UNDER SEAL  
PURSUANT TO  
COURT ORDER**



**EXHIBITS A-J  
FILED UNDER SEAL  
PURSUANT TO  
COURT ORDER**



**ENDORSED FILED  
SAN MATEO COUNTY**

**MAR 26 2009**

Clerk of the Superior Court  
By Siolo S. Sala  
DEPUTY CLERK

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12 *Attorneys for the State of California*

*Attorneys for Qui Tam Plaintiffs Hunter  
Laboratories, LLC and Chris Riedel*

13  
14 **IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA**  
15 **IN AND FOR THE COUNTY OF SAN MATEO**  
16

17  
18 **STATE OF CALIFORNIA** *ex rel.* **HUNTER**  
19 **LABORATORIES, LLC and CHRIS RIEDEL, an**  
individual,  
20 Plaintiff,

21 vs.

22 **QUEST DIAGNOSTICS INCORPORATED, a**  
Delaware corporation; **QUEST DIAGNOSTICS**  
23 **CLINICAL LABORATORIES, INC., a Delaware**  
corporation; **QUEST DIAGNOSTICS NICHOLS**  
24 **INSTITUTE, f/k/a QUEST DIAGNOSTICS, INC., a**  
California corporation;  
25

Case No. CIV 450691

**DECLARATION OF  
RICHARD PRENDERGAST  
IN OPPOSITION TO  
DEFENDANTS' MOTIONS  
TO TRANSFER VENUE**

Date: April 10, 2009  
Time: 11:00 a.m.  
Dept: 1  
Hon. Carol L. Mittlesteadt

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LAW OFFICES  
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PITRE &  
McCARTHY

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QUEST DIAGNOSTICS INCORPORATED, a Nevada Corporation; UNILAB CORPORATION, d/b/a/ QUEST DIAGNOSTICS/UNILAB, a Delaware corporation; LABORATORY CORPORATION OF AMERICA, a Delaware corporation; LABORATORY CORPORATION OF AMERICA HOLDINGS, a Delaware corporation; SPECIALTY LABORATORIES, INC., a California corporation; TAURUS WEST, INC., f/k/a HEALTH LINE CLINICAL LABORATORIES, INC., a California corporation; WESTCLIFF MEDICAL LABORATORIES, INC., a California corporation; PHYSICIANS IMMUNODIAGNOSTIC LABORATORY, INC., a California corporation; WHITEFIELD MEDICAL LABORATORY, INC., a California corporation; SEACLIFF DIAGNOSTICS MEDICAL GROUP, a California Corporation, and Does 11 through 100, inclusive,  
  
Defendants.

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LAW OFFICES  
COTCHETT,  
PITRE &  
MCCARTHY

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**DECLARATION OF RICHARD PRENDERGAST**

1. I, Richard Prendergast, make this declaration in support of Plaintiffs' Opposition to Defendants' Motions to Transfer Venue. Except where noted, I have personal knowledge of the facts stated herein, and if called upon could and would competently testify thereto.

2. I am a current employee of Hunter Laboratories. From August 2001 to July 2003, I was employed by LabCorp as the Northern California Associate Manager of Business Development. In this capacity, I became highly familiar with the billing practices of LabCorp in Northern California, including San Mateo County. I have over 25 years of experience in the medical laboratory industry in California, and am highly familiar with the billing practices of the companies I have worked for, and their competitors.

3. The lab industry is highly competitive, and through a corps of sales representatives, LabCorp actively solicits the referral of business from medical providers, such as individual physicians, hospitals, clinics, independent physician associations ("IPAs"), group purchasing organizations ("GPOs"), and health maintenance organizations. These medical providers have a choice of medical laboratories to which they can choose to send their patients for lab tests. For some of their patients' lab tests, the medical providers pay LabCorp directly. For many other patients, LabCorp directly bills Medi-Cal, Medicare, patients, or third-party insurers.

4. In order to secure the business and referrals of these medical providers, LabCorp offers deeply discounted prices, often below cost, for those tests that the medical providers pay for directly. The medical providers thereby lower their costs, and can increase their profits. In exchange for these discounts, the medical providers refer all of their patients to LabCorp, including Medi-Cal patients. These referrals, obtained in exchange for discounts, are referred to by industry insiders as "pull-through."

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1           5.     The medical providers typically send patients to a "patient service center,"  
2 operated by LabCorp, where the specimen for testing is collected. In some instances, the  
3 medical provider collects the specimen, which is then picked up by a LabCorp courier.  
4 The medical provider typically completes a lab test order form, specifying the type of lab  
5 tests to be completed on the specimen. When LabCorp collects the specimen, either from  
6 the provider, or at the patient service center, it enters all of the information related to the  
7 test in its electronic system.

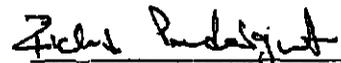
8           6.     As mentioned, for those lab tests for which LabCorp bills the medical  
9 providers directly, LabCorp charges deeply discounted prices. For those lab tests  
10 conducted on Medi-Cal patients, however, LabCorp bills Medi-Cal directly, rather than  
11 through the medical provider. When LabCorp does so, it typically bills Medi-Cal the  
12 highest amount that it charges any client. These charges exceed the maximum amount  
13 allowed under the Medi-Cal fee schedules.

14           7.     During my tenure at LabCorp, it was LabCorp's company practice to offer  
15 discounts below Medi-Cal rates throughout Northern California, including in San Mateo  
16 County. I personally authorized many below-Medi-Cal discounts for clients throughout  
17 Northern California. Those pricing discounts were further approved by my boss, Jeff  
18 Glen, who was LabCorp's Operations Manager, Western Region. These discounts, and  
19 LabCorp's authorization thereof – were based on the estimated monthly volume of "pull-  
20 through" business that each account would bring in. That "pull-through" business  
21 included lab tests for which Medi-Cal was billed, and billed at rates much higher than the  
22 discounts. I never had any indication that the same discounts were provided to Medi-Cal,  
23 and I have seen LabCorp reports showing that Medi-Cal did not receive these discounts.

24           8.     LabCorp continues to offer these kickbacks, in the form of discounts. For  
25 example, "Quick Health," a doctor's office located at 9 West 41<sup>st</sup> Avenue, San Mateo,  
26 California, recently provided me with a LabCorp fee schedule reflecting discounts well  
27 below Medi-Cal's reimbursement rates. I was told that these were the prices LabCorp  
28 was currently charging Quick Health.

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I declare under penalty of perjury under the laws of the State of California and the United States of America that the foregoing is true and correct. Executed this 26<sup>th</sup> day of March, 2009, in Campbell, California.

  
RICHARD PRENDERGAST

Ⓢ  
LAW OFFICES  
COTCHETT,  
PIRE &  
MCCARTHY

1 **PROOF OF SERVICE**

2 I am employed in San Mateo County, which is where service of the document(s) referred  
3 to below occurred. I am over the age of 18 and not a party to the within action. My business  
4 address is Cotchett, Pitre & McCarthy, San Francisco Airport Center, 840 Malcolm Road, Suite  
5 200, Burlingame, California 94010. I am readily familiar with Cotchett, Pitre & McCarthy's  
6 practices for the service of documents. On this date, I served or caused to be served a true copy  
7 of the following document(s) in the manner listed below:

8 **DECLARATION OF RICHARD PRENDERGAST IN OPPOSITION TO DEFENDANTS'  
9 MOTIONS TO TRANSFER VENUE**

10        **BY MAIL:** I caused the sealed envelope containing the aforementioned  
11 document(s) to be deposited with the United States Postal Service on that same  
12 day in the ordinary course of business.

13 **XXX BY OVERNIGHT COURIER SERVICE:** I caused the sealed envelope  
14 containing the aforementioned document(s) to be delivered via overnight courier  
15 service to the addressee(s) specified below:

16 **[SEE ATTACHED SERVICE LIST]**

17 **XXX BY FACSIMILE:** I caused the document(s) to be transmitted to the telephone  
18 number(s) of the addressee(s) specified below:

19 **[SEE ATTACHED SERVICE LIST]**

20        **HAND DELIVERY:** I caused the sealed envelope containing the aforementioned  
21 document(s) to be hand delivered to the addressee(s) specified below.

22 **XXX ELECTRONIC MAIL:** My e-mail address is imartinez@cpmlegal.com. I am readily  
23 familiar with this firm's practice for causing documents to be served by e-mail.  
24 Following that practice, I caused the aforementioned document(s) to be emailed to the  
25 addressee(s) specified below:

26 **[SEE ATTACHED SERVICE LIST]**

27 I declare under penalty of perjury under the laws of the State of California that the  
28 foregoing is true and correct. Executed at Burlingame, California, on March 26, 2009.

29   
IRMA MARTINEZ



1 **Via Fax, E-Mail and Overnight Mail**

Shawn Hanson  
2 **Jones Day**  
555 California Street, 26th Floor  
3 San Francisco, CA 94104  
Tel: (415) 626-3939  
4 Fax: (415) 875-5700  
Email: [shanson@jonesday.com](mailto:shanson@jonesday.com)

**Attorneys for Defendants:**  
Laboratory Corporation (including  
Laboratory Corporation of America, A  
Delaware Corp., and Laboratory  
Corporation of America Holdings)

5 **Via Fax, E-Mail and Overnight Mail**

6 Mark Peterson  
Cates Peterson, LLP  
7 2040 Main Street, 9<sup>th</sup> Floor  
Irvine, CA 92614  
8 Tel: (949) 724-1180  
Fax: (949) 724-1190  
9 E-Mail: [MarkPeterson@CatesPeterson.com](mailto:MarkPeterson@CatesPeterson.com)

**Attorneys for Defendant:**  
Taurus West, Inc.

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- **Billing**
- **Phlebotomy**
- **Sales/Marketing**



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Compliance Action Line: 800-801-1005*

transcribe information from the patient's chart for laboratory testing purposes. Each of these arrangements must be approved in advance by the Divisional Compliance Officer and the Law Department or the Corporate Compliance Department. Written permission obtained from the client must be in the form of a standard letter approved by the Law Department. These requirements also apply to any request to allow a LabCorp PST to access electronic patient files.

Only the physician's office staff may add information to a patient's chart. This includes matching and inserting a LabCorp test result into a patient's chart. Finally, only the physician's office staff may locate, pull, and replace patient charts or access the client's office computer.

#### **Specimen Collection Paperwork Processors**

Generally, if the client has his or her own phlebotomist and the client bills for the collection services performed by that phlebotomist, LabCorp may not assign a PST or other LabCorp employee to the client's office for the purpose of assisting the client's phlebotomist complete requisition forms or other paperwork, even if the specimens are being tested by LabCorp. The payment a client may receive for collecting the specimen includes compensation for the related paperwork.

Any exceptions to this general rule must be reviewed and approved in advance by the Law Department or the Corporate Compliance Department.

Under limited circumstances, LabCorp may place a specimen processor employee in a client's location to perform activities such as: preparing specimens for submission to LabCorp, packaging specimens for courier pickup, obtaining billing information for LabCorp's use, ensuring the accurate completion of the appropriate test request forms, confirming reports are generated by LabCorp and facilitating inquiries to LabCorp from client. Factors to be considered in the evaluation of requests for specimen processor placement include, meeting service commitments, QA/QC considerations and client type (multi-locations, subspecialty client with irreplaceable or difficult to collect specimens, etc.), among other factors to be reviewed on a case by case basis. The hours required for specimen processor placement shall be limited to those minimally necessary to provide the services.

Any specimen processor placement arrangement must be in accordance with the Specimen Processor Services Agreement Policy outlined in the LabCorp *Contract Manual*.

#### **Adjustments and Write-offs**

As a general rule, retroactive adjustments to client statements may only be made in cases of actual misunderstandings between the client and LabCorp or as the result of an error on the part of the Company. Employees requesting adjustments to a client's account must obtain the appropriate approval and must discuss such adjustments with the Corporate Client Billing Manager, their senior management and, if necessary, their Divisional Compliance Officer and the Corporate Compliance Department or Law Department. Support for the adjustment must include written documentation of the misunderstanding or error.

#### **Client Discounts**

Negotiating client discounts (i.e., reductions in professional fee schedule amounts) is a common practice in the clinical laboratory industry. Generally, this practice is not considered

to be an illegal inducement. Problems may arise, however, if the size of the discount appears to be tied to the value of Medicare or Medicaid testing; a client may refer to LabCorp or if discounted prices offered to a client are below the laboratory's cost of performing services. Discounts should be based only on factors such as competition, the pricing and discounts offered by competitor laboratories, the total estimated monthly volume of an account, or special service requirements. Discounts may not be based on Medicare or Medicaid referrals. All discounts must be in accordance with the LabCorp Pricing Approval Policy dated March 8, 2002, as revised from time to time.

#### **Professional Courtesy**

LabCorp does not offer professional courtesy testing to its clients. This decision is based on the federal government's position that providing free or deeply discounted laboratory testing to health care providers, their families, and their employees may be seen as an unlawful inducement. Testing services provided to health care providers, their families, and their employees must be billed directly to the client, the patient or the patient's insurance company in accordance with normal pricing and billing practices under the client's general commercial/direct bill account or third party/patient bill account.

The Corporate Compliance Department should be notified of any request from a client for professional courtesy testing.

For more information regarding professional courtesy, please refer to Professional Courtesy Policy within the *Business Practices Manual*.

#### **Waiver of Copayments, Coinsurance, and Deductibles**

Many private third-party payer contracts require LabCorp to collect copayments, coinsurance, and deductibles for laboratory tests performed on their insured patients. LabCorp is obligated to comply with these contractual requirements and may not offer or agree to waive copayments, coinsurance, and deductibles at the request of the client. In addition, Medicare imposes copayment and deductible requirements for laboratory tests that are not reimbursable under the Medicare fee schedule (e.g., tissue analysis). The Office of Inspector General has taken the position that the routine waiver of copayments and/or deductibles is a potential violation of the anti-kickback law.

#### **Managed Care Courtesy Testing**

When a client has patients covered by a managed care organization (an "MCO") that has an exclusive arrangement with another laboratory under which the MCO will not accept or pay claims from LabCorp, the client should be asked to send that business to the other laboratory. If this is not successful, then LabCorp may test the specimens of patients who are members of the MCO as a courtesy, but only in accordance with the requirements of the LabCorp *Contract Manual's* Out-of-Network Provider Laboratory Services Agreement Policy.

#### **Free Trials**

LabCorp discourages the use of free trials as a sales practice. Free trials may only be offered to potential clients on a restricted basis to demonstrate the quality of LabCorp's services. Any free trial must have the prior approval of the appropriate sales manager and can be provided

only in accordance with the Trial Testing Laboratory Services Agreement Policy contained in the LabCorp *Contract Manual*. The preapproved Trial Testing Laboratory Services Agreement must be executed by the potential client before any of the services can be provided.

#### **Indigent Patient Testing Services**

At a physician's request, LabCorp may agree to perform testing for indigent patients at a reduced charge or at no charge where the client offers a similar discount or waiver of his or her charges or fees. Indigent patient testing services may be provided only in accordance with the Indigent Patient testing Policy located within the *Business Practices Manual* and the Indigent Patient Laboratory Services Agreement Policy contained within the LabCorp *Contract Manual*, including execution by the client of an Indigent Patient Laboratory Services Agreement.

#### **Health Fairs**

LabCorp may participate in health fairs where permitted by state law. Unless otherwise permitted by the Corporate Compliance Department or Law Department, all testing must be authorized in writing in advance by a qualified medical practitioner. Test results must be forwarded directly to the ordering practitioner. Depending on state laws, only certain tests may be performed for health fairs. Health fair testing should not be offered free of charge or at special discounts except for bona fide charitable purposes. LabCorp's participation in a health fair must be approved in advance by the Law Department or the Corporate Compliance Department and documentation of the charitable nature of the event must be provided if the testing services are to be provided free of charge or at a discount.

#### **Improper Inducement**

~~It is against the law and LabCorp policy to offer or provide any improper incentive or inducement for a client to refer Medicare or Medicaid business to LabCorp. LabCorp employees shall not offer any quid pro quo arrangements with any client or potential client in exchange for the referral of testing business to LabCorp.~~

#### **Client Supplies**

As part of its services, LabCorp may provide laboratory supplies to clients solely for the purpose of collecting, processing or transporting specimens to LabCorp for testing. LabCorp may not offer supplies for use in a client's own in-house laboratory or for any function that is not directly related to laboratory tests performed by LabCorp.

LabCorp may not supply to clients any supplies that are reusable, usable for multiple purposes, or have a clear independent value to the client (bone marrow kits, amniocentesis trays, biopsy needles, speculums, gloves, strep kits, etc.). LabCorp may not extend volume discounts that it receives or resell supplies to a client. Some states have established additional restrictions on the provision of supplies and equipment.

Any exception, change, or deviation from this policy must be reviewed and approved in advance by the Corporate Compliance Department. If you have questions or concerns about a specific situation or particular supplies, please contact the Corporate Compliance Department.



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- **Billing**
- **Phlebotomy Services**
- **Sales/Marketing**



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## **Adjustments and Write-offs**

As a general rule, retroactive adjustments to client statements may only be made in cases of actual misunderstandings between the client and LabCorp or as the result of an error on the part of the Company. Employees requesting adjustments to a client's account must obtain the appropriate approval and must discuss such adjustments with the Corporate Client Billing Manager, their senior management and, if necessary, they're Divisional Compliance Officer, Law Department, or the Corporate Compliance Department. Support for the adjustment must include written documentation of the misunderstanding or error.

## **Client Discounts**

Negotiating client discounts (i.e., reductions in professional fee schedule amounts) is a common practice in the clinical laboratory industry. Generally, this practice is not considered to be an illegal inducement. Problems may arise, however, if the size of the discount appears to be tied to the value of Medicare or Medicaid testing a client may refer to LabCorp or if discounted prices offered to a client are below the laboratory's cost of performing services. Discounts should be based only on factors such as competition, the pricing and discounts offered by competing laboratories, the total estimated monthly volume of an account, or special service requirements. Discounts may not be based on Medicare or Medicaid referrals. All discounts must be in accordance with the LabCorp Pricing Approval Policy dated March 8, 2002, as revised from time to time.

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LabCorp does not offer professional courtesy testing to its clients. This decision is based on the federal government's position that providing free or deeply discounted laboratory testing to health care providers, their families, and their employees may be seen as an unlawful inducement. Testing services provided to health care providers, their families, and their employees must be billed directly to the client, the patient or the patient's insurance company in accordance with normal pricing and billing practices under the client's general commercial/direct bill account or third party/patient bill account.

The Corporate Compliance Department should be notified of any request from a client for the professional courtesy testing.

For more information regarding professional courtesy, please refer to LabCorp's Professional Courtesy Policy located within the *Business Practices Manual*.

## **Waiver of Copayments, Coinsurance, and Deductibles**

Many private third-party payer contracts require LabCorp to collect copayments, coinsurance, and deductibles for laboratory tests performed on their insured patients. LabCorp is obligated to comply with these contractual requirements and may not offer or agree to waive copayments, coinsurance, and deductibles at the request of the client. In addition, Medicare imposes copayment and deductible requirements for laboratory tests that are not reimbursable under the Medicare fee schedule (e.g., tissue analysis). The Office of Inspector General has taken the position that the routine waiver of copayments and/or deductibles is a potential violation of the anti-kickback law.

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When a client has patients covered by a managed care organization ("MCO") that has an exclusive arrangement with another laboratory under which the MCO will not accept or pay claims from LabCorp, the client should be asked to send that business to the other laboratory.

If this is not successful, then LabCorp may test the specimens of patients who are members of the MCO as a courtesy, but only in accordance with the requirements of the Out-of-Network Provider Laboratory Services Agreement Policy located within the LabCorp *Contract Manual*.

### **Free Trials**

LabCorp discourages the use of free trials as a sales practice. Free trials may only be offered to potential clients on a restricted basis to demonstrate the quality of LabCorp's services. Any free trial must have the prior approval of the appropriate sales manager and can be provided only in accordance with the Trial Testing Laboratory Services Agreement Policy located within the LabCorp *Contract Manual*. The preapproved Trial Testing Laboratory Services Agreement must be executed by the potential client before any of the services can be provided.

### **Indigent Patient Testing Services**

At a physician's request, LabCorp may agree to perform testing for indigent patients at a reduced charge or at no charge where the client offers a similar discount or waiver of his or her charges or fees.

Indigent patient testing services may be provided only in accordance with LabCorp's Indigent Patient Testing Policy located within the *Business Practices Manual* and the Indigent Patient Laboratory Services Agreement Policy contained located within the LabCorp *Contract Manual*, including execution by the client of an Indigent Patient Laboratory Services Agreement.

### **Health Fairs**

LabCorp may participate in health fairs where permitted by state law. Unless otherwise permitted by the Law Department or Corporate Compliance Department, all testing must be authorized in advance and in writing by a qualified medical practitioner. Test results must be forwarded directly to the ordering practitioner. Depending on state laws, only certain tests may be performed for health fairs. Health fair testing should not be offered free of charge or at special discounts except for bona fide charitable purposes. LabCorp's participation in a health fair must be approved in advance by the Law Department or the Corporate Compliance Department and documentation of the charitable nature of the event must be provided if the testing services are to be provided free of charge or at a discount.

### **Improper Inducement**

It is against the law and LabCorp policy to offer or provide any improper incentive or inducement for a client to refer Medicare or Medicaid business to LabCorp. LabCorp employees shall not offer any *quid pro quo* arrangements with any client or potential client in exchange for the referral of testing business to LabCorp.



**Laboratory Corporation of America**  
**2005 Compliance**  
**Certification Booklet**

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- **Billing**
- **Phlebotomy Services**
- **Sales/Marketing**



*Laboratory Corporation of America® Holdings*  
*Compliance Action Line: 800-801-1005*

## **Adjustments and Write-offs**

As a general rule, retroactive adjustments to client statements may only be made in cases of actual misunderstandings between the client and LabCorp or to correct a billing error on the part of the Company. Inappropriate adjustments made to a client's account could be considered improper inducement. Employees requesting adjustments to a client's account must obtain the appropriate management approval and discuss such adjustments with the Corporate Client Billing Manager, their senior management and, if necessary, their Divisional Compliance Officer and the Corporate Compliance Department or Law Department. Support for the adjustment must include written documentation of the misunderstanding or error. Adjustments to client accounts should be made in a timely manner, and must be completed as soon as possible after LabCorp becomes aware of the misunderstanding or error.

If a client is terminated for non-payment, that client's account cannot be reactivated until LabCorp has received full payment for the outstanding balance or unless otherwise approved by the Corporate Compliance or Law Department.

For more information regarding adjustments and write-offs, please refer to LabCorp's Client Commercial Adjustment Policy located within the *Business Practices Manual*

## **Client Discounts**

Negotiating client discounts (i.e., reductions in professional fee schedule amounts) is a common practice in the clinical laboratory industry. Generally, this practice is not considered to be an illegal inducement. Problems may arise, however, if the size of the discount appears to be tied to the value of Medicare or Medicaid testing a client may refer to LabCorp or if discounted prices offered to a client are below the laboratory's cost of performing services. Discounts should be based only on factors such as competition, the pricing and discounts offered by competing laboratories, the total estimated monthly volume of an account, or special service requirements. Discounts may not be based on the value or volume of Medicare or Medicaid referrals. All discounts must be in accordance with the LabCorp Pricing Approval Policy dated March 8, 2002, as revised from time to time.

## **Professional Courtesy**

LabCorp does not offer professional courtesy testing to its clients, their families or staff. This decision is based on the federal government's long-standing position that providing free or deeply discounted laboratory testing to health care providers, their families, and their employees may be seen as an unlawful inducement. Testing services provided to health care providers, their families, and their employees must be billed directly to the client, the patient or the patient's insurance company in accordance with normal pricing and billing practices under the client's general commercial/direct bill account or third party/patient bill account.

Your Regional or Divisional Compliance Officer or the Corporate Compliance Department should be notified of any inquiry from a client that may be construed as a request for professional courtesy testing.

For more information regarding professional courtesy, please refer to LabCorp's Professional Courtesy Policy located within the *Business Practices Manual*.

### **Waiver of Copayments, Coinsurance, and Deductibles**

Many private third-party payer contracts require LabCorp to collect copayments, coinsurance, and deductibles for laboratory tests performed on their insured patients. LabCorp is obligated to comply with these contractual requirements and may not offer or agree to waive copayments, coinsurance, and deductibles at the request of the client. In addition, Medicare imposes copayment and deductible requirements for laboratory tests that are not reimbursable under the Medicare fee schedule (e.g., tissue analysis). The Office of Inspector General has taken the position that the routine waiver of copayments and/or deductibles is a potential violation of the anti-kickback law.

### **Managed Care Courtesy Testing**

When a client has patients who are covered by a managed care organization ("MCO") that has an exclusive arrangement with another laboratory under which the MCO will not accept or pay claims from LabCorp, the client should be asked to send that portion of his or her business to the other laboratory.

If the client declines this request, then LabCorp may perform testing for those patients who are members of the MCO as a courtesy to the patients, but only in accordance with the requirements listed in the Out-of-Network Provider Laboratory Services Agreement Policy located within the *LabCorp Contract Manual*.

The physician/client must sign an agreement confirming that he or she will not receive any benefit from the MCO for LabCorp's provision of its services to MCO members at no charge, through such arrangements as withhold pools or physician bonuses based on utilization.

### **Indigent Patient Testing Services**

At a physician's request, LabCorp may agree to perform testing for indigent patients at a reduced charge or at no charge where the client offers a similar discount or waiver of his or her charges or fees.

Indigent patient testing services may be provided only in accordance with LabCorp's Indigent Patient Testing Policy located within the *Business Practices Manual* and the Indigent Patient Laboratory Services Agreement Policy contained located within the *LabCorp Contract Manual*, including execution by the client of an Indigent Patient Laboratory Services Agreement.

In extraordinary circumstances, such as when large areas are hard hit by a natural disaster or other catastrophic event, LabCorp may offer special consideration for patients who are affected. Any exceptions to the Indigent Patient Testing Policy will be reviewed on a case by case basis and must be approved by the Corporate Compliance, Corporate Billing and Customer Service and Law Departments.

If you have questions regarding a request to provide services for patients who may not have the ability to pay or questions regarding the Indigent Patient Testing Policy, please contact your Regional or Divisional Compliance Officer or the Corporate Compliance Department.

### **Health Fairs**

LabCorp may participate in health fairs where permitted by state law. Unless otherwise permitted by the Law Department or Corporate Compliance Department, all testing must be authorized in advance and in writing by a qualified medical practitioner. Test results must be forwarded directly to the ordering practitioner. Depending on state laws, only certain tests may be performed for health fairs. Health fair testing should not be offered free of charge or at special discounts except for bona fide charitable purposes. LabCorp's participation in a health fair must be approved in advance by the Law Department or the Corporate Compliance Department and documentation of the charitable nature of the event must be provided if the testing services are to be provided free of charge or at a discount.

### **Improper Inducement**

It is against the law and LabCorp policy to offer or provide any improper incentive or inducement for a client to refer business, including but not limited to Medicare and Medicaid, to LabCorp. LabCorp employees shall not offer any *quid pro quo* arrangements with any client or potential client in exchange for the referral of testing business to LabCorp.

Gifts, entertainment or other items or services offered to clients or potential clients by LabCorp employees in a sales or marketing-related role must be reasonable in value. All entertainment must occur in a setting that is conducive to discussions and presentations on LabCorp's business and service offerings (i.e. not ballgames or concerts).

LabCorp employees should avoid the following types of arrangements:

- Giving or promising gifts or items of value in exchange for an exclusive business arrangement
- Giving or promising gifts that fluctuate in value depending upon the amount of business between the Company and the client
- Gifts or items that are demanded by the client under an explicit or implied threat of ceasing the business relationship

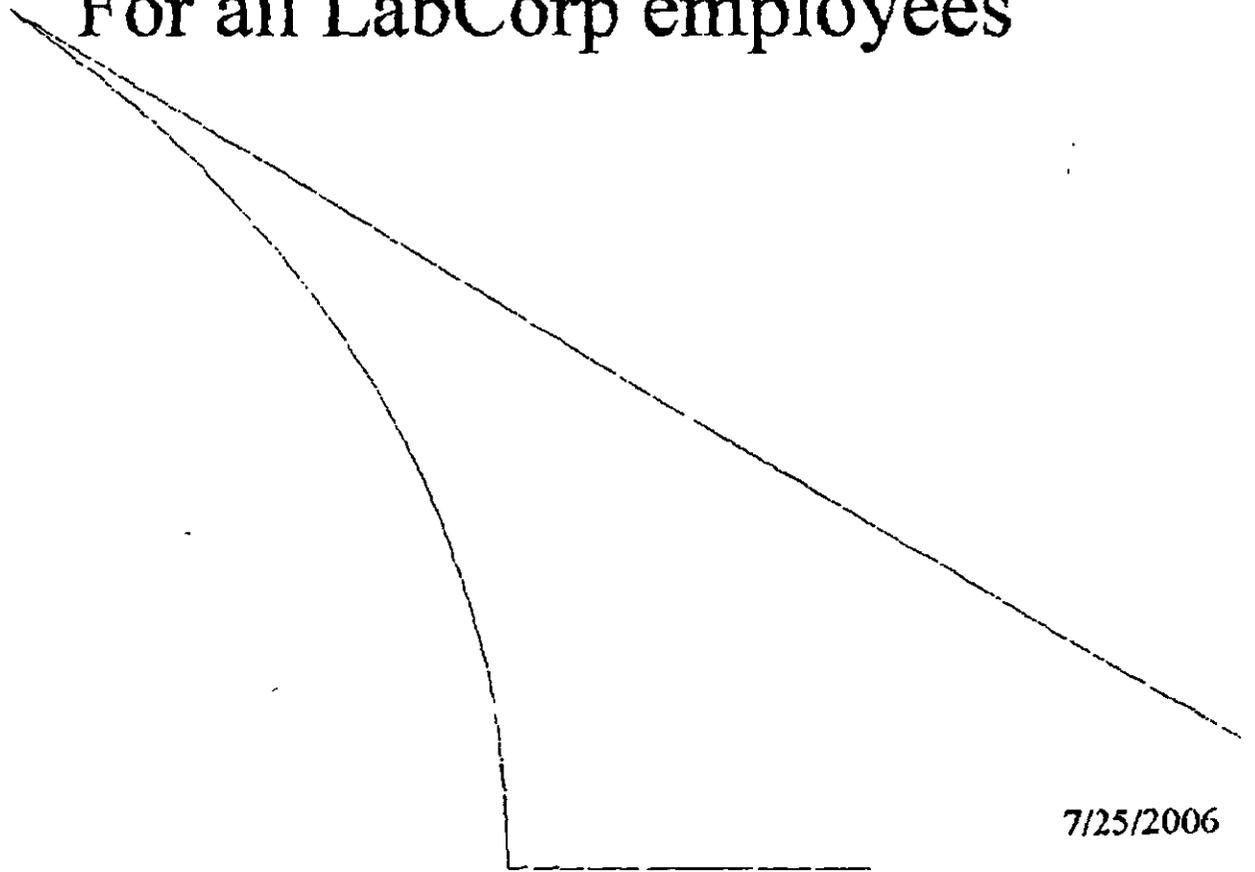
LabCorp employees and the employees of its subsidiaries and affiliates may never provide gifts or entertainment to any government officials, foreign or domestic.

Contact your Regional or Divisional Compliance Officer or the Corporate Compliance Department if have any questions regarding the appropriateness of any gift or entertainment or arrangement for provision of services outside the normal scope of a LabCorp/client relationship.



# 2003 LabCorp Compliance Training

For all LabCorp employees



# Kickbacks



# Client Discounts

- Discounts provided to clients must be reasonable based on geography, volume of testing, service requirements, and competition
- The discounted price of a particular test should not be below LabCorp's cost of performing that test

# Professional Courtesy

- Providing free or deeply discounted services for clients, their families or their staff as a “professional courtesy” is not permitted
- Clients may receive their standard client discount rates on lab services

# Adjustments

- May only take place in the case of a billing error or misunderstanding between LabCorp and the client
- Must be approved by management

# Reactivation of Accounts

- Must be approved
- May not take place if the account still has an outstanding balance
- May not result from a write-off of the account balance

7/25/2006

# Gifts and Entertainment

- Generally discouraged
- May violate anti-kickback statute to give, to offer to give, or to accept inappropriate gifts
- Non-government employees - small gifts of little intrinsic value
- Government employees - **NO GIFTS**

# Kickback Danger Zones

Watch out for:

- Gifts that fluctuate in value depending upon the amount of business being transacted with the giver and the provider
- Gifts that are demanded by the provider under a threat of ceasing the business relationship

# Client Supplies

- Acceptable client supplies
  - Solely for collecting, processing or transporting specimens to LabCorp for testing
- Unacceptable client supplies
  - Items specifically prohibited by LabCorp policy
  - Reusable
  - Usable for multiple purposes
  - Have a clear independent value to the client

7/25/2006

# Equipment/Computer Placement

- Equipment Loan
- Computer placement

# LabCorp Personnel

- Couriers - *an example*
  - Clients sometimes approach couriers and ask them to transport materials
  - Couriers may not transport materials for clients unless:
    - There is an agreement for the services in place
    - The client is paying fair market value for the services provided
  - **Under no circumstances may couriers transport hazardous materials for a client**

# LabCorp Personnel

- PST's
- Technical Assistance to an in-house lab
- Shared Employment arrangements

7/25/2006

# Goodwill Gestures

- Charitable Contributions
  - Must be made directly to a bona fide charity
  - Charities must not be owned or operated by a LabCorp client
  - Must be made in LabCorp's name

# Goodwill Gestures

- Indigent Patient Testing
  - LabCorp may provide discounted or free services for indigent patients
  - The referring physician must provide the same or greater discount on services
  - The client must sign an *Indigent Patient Laboratory Services Agreement*

# Goodwill Gestures

- Health Fairs
  - LabCorp may take part where allowed
  - All tests must be ordered by a physician and the results returned directly to that physician
  - Discounted or free lab services may be provided only to bona fide charities

7/25/2006

# Goodwill Gestures

- Managed Care Courtesy Testing
  - LabCorp must ask the physician to split the business
  - If the physician refuses, he or she must sign LabCorp's *Out-of-Network Provider Laboratory Services Agreement*

# Lease Agreements

## Rental or Lease of Space From a Client or Physician

- Must have prior approval from the Law Department
- Must be necessary space to perform LabCorp activities
- Rent must be based on fair market value of space being rented

## Caution Areas

- Non-LabCorp activities
- “Common Area” fees
- Location changes within a building - must be approved
- Rental of closets or storage areas

# Compliance-Related Areas

LABC003863  
CONFIDENTIAL

7/25/2006

# Audit

- Audits LabCorp's compliance with laws, regulations and internal policies
- Reviews the work of systems and individuals to ensure compliance

# Safety

- Environmental Safety
- Employee Health and Safety
  
- Core Safety Manual
- Test Site Safety Manuals

# Human Resources

- Employment
- Benefits

- Equal Opportunity Employment
- Sexual Harassment
- Interpersonal conflict
- Substance Abuse
- Other Policies

# Identifying and Reporting a Compliance Issue

# Compliance Action Quick Test

- Does it comply with the law and all compliance policies and procedures?
- How would it make you feel if you did it?
- How would it look to your family and friends, our clients, shareholders, and the general public?

If you know it's wrong, don't do it!

If you are not sure, ask.

Keep asking until you get an answer that makes sense. Get the right answer, not just the easy answer.

7/25/2006

For more information . . .

- Local compliance policies
- LabCorp's Corporate policies
  - Code of Business Practices
  - Business Practices Manual
  - HIPAA Privacy Practices Manual
- Ask someone - the LabCorp Four-Step Communication Program

# 4-Step Communication Program

- Discuss the issue with your supervisor
- Speak to your department manager
- Speak to your Divisional Compliance Officer, local Human Resources Representative, General Manager, and/or Divisional Senior Vice President
- Bring the matter to the attention of a corporate representative.

# Contacts

**Chief Compliance Officer  
and General Counsel- Dave King**

**Corporate Compliance**

Director - Tiana Ayotte

Compliance Attorney - Marguerita Sims

Compliance Officers - Julie Thomas and Chris Hartley

Administration - Renee Tatum

**Related Areas**

Safety - Don Horton

Audit - Dale Phipps

HR Compliance - Melissa Holmes

Contracts - Sandy van der Vaart

State Reporting - Bobby Dixon

HIPAA - Don Luu

Dianon - Thom Kossl

# Compliance Action Line

**800-801-1005**

**Monday through Friday  
8am to 12pm and 1pm to 5pm Eastern**

**e-CAL**

**[http://home.labcorp.com/legal\\_home/compliance/actionline.htm](http://home.labcorp.com/legal_home/compliance/actionline.htm)  
[cal@labcorp.com](mailto:cal@labcorp.com)**

Note: Calls to the CAL are anonymous and confidential.  
Anonymity cannot be guaranteed using e-CAL, but all reported issues  
are considered confidential.

7/25/2006

# LabCorp Compliance 2003

## Contacts

Burlington Main Number - (336 or 800) 222-7566

Corporate Compliance - (336) 436-4026

Safety - (336) 436-5022

Audit - (336) 436-5060

HR Compliance - (336) 436-6211

Contracts - (336) 436-5034

State Reporting - (336) 436-4028

## HIPAA Hotline -

**877-23-HIPAA**

e-mail: [privacyofficer@labcorp.com](mailto:privacyofficer@labcorp.com)

## Compliance Action Line

**800-801-1005**

e-CAL

8am-12pm

1pm-5pm

EST

Mon.-Fri.

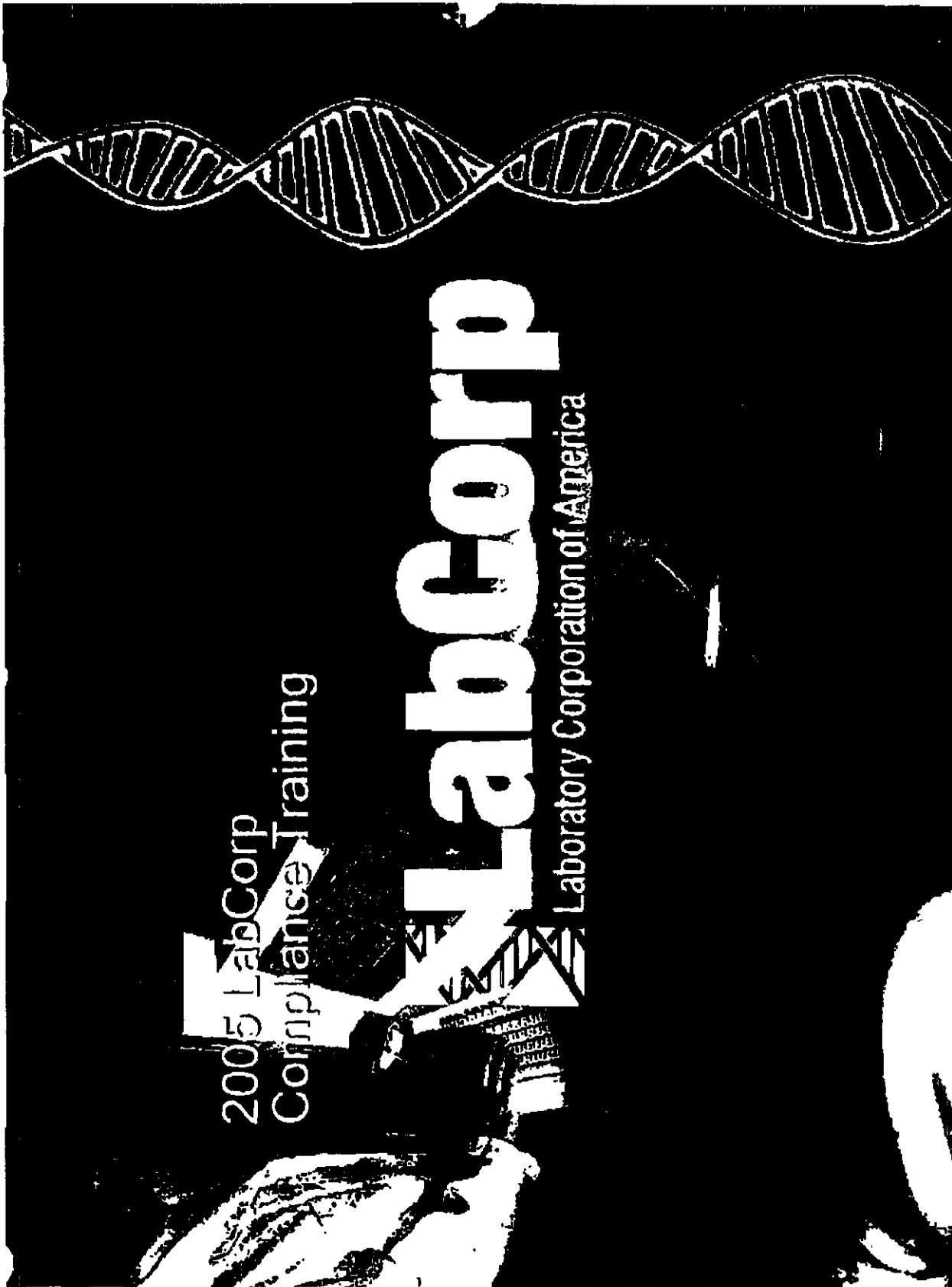
[http://home.labcorp.com/legal\\_home/compliance/actionline.htm](http://home.labcorp.com/legal_home/compliance/actionline.htm)

[cal@labcorp.c](mailto:cal@labcorp.c)

om

7/25/2006





2005 LabCorp  
Compliance Training

# LabCorp

Laboratory Corporation of America

# Kickbacks

## Client Discounts

*Discounts provided to clients must be reasonable based on geography, volume of testing, service requirements, and competition*

*The discounted price of a particular test should not be below LabCorp's cost of performing that test*

## Professional Courtesy

*Providing free or deeply discounted services for clients, their families or their staff as a "professional courtesy" is not permitted*

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## Gifts and Entertainment

*Generally discouraged*

*May violate anti-kickback statute to give, to offer to give, or to accept inappropriate gifts*

*Non-government employees - small gifts of little intrinsic value*

*Government employees (including employees of foreign governments) - NO GIFTS*

# Client Supplies

## Acceptable client supplies

- Solely for collecting, processing or transporting specimens to LabCorp for testing

## Unacceptable client supplies

- Items specifically prohibited by LabCorp policy
- Reusable
- Usable for multiple purposes
- Have a clear independent value to the client

## Equipment Loan and Computer Placement

## LabCorp Personnel

### *Couriers* - an example

- Clients sometimes approach couriers and ask them to transport materials
- Couriers may not transport materials for clients unless:
  - There is an agreement for the services
  - The client is paying fair market value for the services provided
- Under no circumstances may couriers transport hazardous materials for a client

# LabCorp Personnel

*PST's*

*Shared Employment arrangements*

## Goodwill Gestures

### *Charitable Contributions*

- Must be made directly to a bona fide charity
- Charities must not be owned or operated by a LabCorp client
- Must be made in LabCorp's name

# Goodwill Gestures

## *Indigent Patient Testing*

- LabCorp may provide discounted or free services for indigent patients
- The referring physician must provide the same or greater discount on services
- The client must sign an *Indigent Patient Laboratory Services Agreement*
- Health Fairs

# Goodwill Gestures

## *Managed Care Courtesy Testing*

- Other Exclusive Laboratory
- Convenience of Patient

## Lease Agreements

### Rental or Lease of Space From a Client or Physician

- Must have prior approval from the Law Department
- Must be necessary space to perform LabCorp activities
- Rent must be based on fair market value of space being rented

### Caution Areas

- Non-LabCorp activities
- "Common Area" fees
- Holdover terms beyond 6 months
- Rental of closets or storage areas

*Important Focus Areas.....ALWAYS!*

## Documentation

*When obtaining information from a client, be sure to document:*

- Your full name
- The full name of the person providing the information
- The date the information was received
- The information, exactly as it was given

*LabCorp Record Retention Policy*

## *Focus Area*

### **PALs**

*Physician Acknowledgment Letters ("PALs") are sent to clients who have requested custom chemistry profiles.*

*PALs inform the client:*

- What tests are in the profile(s)
- The maximum amount that Medicare will pay for each test
- That the client should only order a profile if all tests within the profile are medically necessary

## *Focus Area*

### **ABNs**

- The Advance Beneficiary Notice (“ABN”) informs Medicare patients when their tests may not be covered by Medicare and informs them that they may be responsible for any charges for that testing
- Valid ABN’s must contain:
  - Patient’s name
  - Reasons why the test might not be covered by Medicare
  - A checked box indicating the patient’s intent to continue or discontinue testing
  - Patient’s signature and date

LabCorp Use Only

Patient's Name:

Medicare # (HICN):

### ADVANCE BENEFICIARY NOTICE (ABN)

**NOTE: You need to make a choice about receiving these laboratory tests.**

We expect that Medicare will not pay for the laboratory test(s) that are described below. Medicare does not pay for all of your health care costs. Medicare only pays for covered items and services when Medicare rules are met. The fact that Medicare may not pay for a particular item or service does not mean that you should not receive it. There may be a good reason your doctor recommended it. Right now, in your case, Medicare probably will not pay for the laboratory test(s) indicated below for the following reasons:

Medicare does not pay for These tests for your condition	Medicare does not pay for these tests as often as this (denied as too frequent)	Medicare does not pay for experimental or research use tests

The purpose of this form is to help you make an informed choice about whether or not you want to receive these laboratory tests, knowing that you might have to pay for them yourself. Before you make a decision about your options, you should read this entire notice carefully.

- Ask us to explain, if you don't understand why Medicare probably won't pay.
- Ask us how much these laboratory tests will cost you (Estimated Cost: \$ \_\_\_\_\_), in case you have to pay for them yourself or through other insurance.

**PLEASE CHOOSE ONE OPTION CHECK ONE BOX. SIGN & DATE YOUR CHOICE.**

<p><input type="checkbox"/> <b>Option 1. YES.</b> I want to receive these laboratory tests. I understand that Medicare will not decide whether to pay unless I receive these laboratory tests. Please submit my claim to Medicare. I understand that you may bill me for laboratory tests and that I may have to pay the bill while Medicare is making its decision. If Medicare does pay, you will refund to me any payments I made to you that are due to me. If Medicare denies payment, I agree to be personally and fully responsible for payment. That is, I will pay personally, either out of pocket or through any other insurance that I have. I understand I can appeal Medicare's decision.</p>
<p><input type="checkbox"/> <b>Option 2. NO.</b> I have decided not to receive these laboratory tests. I will not receive these laboratory tests. I understand that you will not be able to submit a claim to Medicare and that I will not be able to appeal your opinion that Medicare won't pay. I will notify my doctor who ordered these laboratory tests that I did not receive them.</p>

Date

Signature of patient or person acting on patient's behalf

**NOTE: Your health information will be kept confidential.** Any information that we collect about you on this form will be kept confidential in our offices. If a claim is submitted to Medicare, your health information on this form may be shared with Medicare.

Your health information which Medicare sees will be kept confidential by Medicare.

CMS Approval No. 0938-0368 Form No. CMS-R-131-L (June 2002)

PART 1 - LABCORP COPY PART 2 - PATIENT COPY PART 3 - PHYSICIAN COPY

## *Focus Area*

# Standing Orders

- Must be set up using the approved form (include copy of original test order)
- Must be specific to an individual patient
- Must include a specific start and stop date
- May not exceed 6 months
- Must include complete information
- LabCorp's new LCM versions (3.13 and above) are updated with the automated Standing Order module

# Fraud and Abuse

## *False Claims Act*

- Billing for Services not Performed
- Altering Claim to Obtain Higher Reimbursement
- Submitting False Information on Claim

## Penalties

- Suspension of payment
- Civil settlements
- Criminal prosecution
- Exclusion from federally funded health care programs

Triple damages plus a fine for each claim

$$\$12.00 \times 3 = \$36.00 + \$11,500 = \$11,536.00$$

## Ambiguous Test Orders

*Follow the procedures listed in the Ambiguous Test Order Policy*

*If there is doubt, attempt to contact the ordering physician for clarification before continuing with testing*

## Verbal Add-On Test Orders

*Verbal orders must be fully documented*

*If the specimen is sufficient to perform testing, physicians may verbally request additional tests for a patient - Patient care is the priority*

*LabCorp must receive written authorization from the physician before billing for the test*

## ICD-9

*Diagnosis (ICD-9) codes are required by many insurance companies and government payers for payment*

*Diagnosis codes must come from the ordering physician, his or her authorized designee, or a licensed pathologist*

*No LabCorp employee may suggest a diagnosis code to a client*

## ICD-9 (Cont.)

*Diagnoses may be translated into ICD-9 codes only by LabCorp certified translators*

*Default diagnoses may not be used*

*Documentation of the source of a diagnosis code must be maintained*

# HIPAA Privacy

*Protected health information "PHI" - Individually-identifiable health information includes health care information that:*

- Includes demographic information;
- Is created or received by a health care provider, health plan, or employer which relates to the individual's physical or mental condition, and
- Identifies the individual or there is a reasonable basis to believe may be used to identify the individual.

## HIPAA Privacy (Cont.)

### *Visitors*

- Family, friends, and other personal visitors
- Other non-LabCorp employees
- Violation of LabCorp Privacy Policies may now also be a violation of HIPAA

## HIPAA Privacy (Cont.)

### *What is an Incident Report?*

- **Employee Obligation to Report** - Employees must promptly report any circumstance where PHI is sent to a person who is not authorized to receive it.
- **Form** - The LabCorp department manager and the Divisional Compliance Officer will complete the *LabCorp HIPAA Incident Form* and forward it to the LabCorp Chief Privacy Officer or Corporate Compliance Department.
- **Where to find one** - HIPAA Incident Reports can be found on LabCorp's Corporate Intranet Site for Compliance under the HIPAA Privacy Practices Manual Link  
[http://home.labcorp.com/legal\\_home/compliance/hipaa\\_manual.htm](http://home.labcorp.com/legal_home/compliance/hipaa_manual.htm)

## **Examples of Potential Inappropriate Disclosures**

- Incorrect patient demographic information was pulled from the LCM while doing order entry.
- Others in the waiting room overheard the PST's conversation.
- Inappropriate remarks made to patients regarding their blood tests.
- Patient demographic information form attached to the wrong specimen.
- Data entry error resulting in the misdirection of PHI to a health care provider other than the ordering physician.
- Data entry error resulting in the misdirection of patient billing statement.
- Lab Report misdirected by a LabCorp courier.

## HIPAA Privacy (Cont.)

### *Notice of Privacy Practices*

- Must be provided to patients who request it
- Available on the LabCorp internet site,  
*<http://www.labcorp.com>*

### *HIPAA Contacts*

**877-23-HIPAA**

**877-234-4722**

**privacyofficer@labcorp.com**

**fax: (336) 436-4151**

## **HIPAA Security General**

- The Security Rule requires covered entities to develop and implement policies and procedures designed to protect the confidentiality, integrity, and availability of electronic protected health information (ePHI) that is collected, maintained, used or transmitted by a covered entity.
- Electronic Protected Health Information is any PHI that is received, transmitted, maintained in electronic media (e.g., disks, tapes, e-mail, internet, etc)
- To comply with the requirements, LabCorp developed and implemented six Security Policies and Procedures under its HIPAA Security Practices Manual.

## HIPAA Security (Cont.)

### *Security Reminders*

- To secure EPHI, LabCorp must implement:
  - Administrative Safeguards
  - Physical Safeguards
  - Technical Safeguards
- Security is the responsibility of each and every individual in our organization

# **Administrative Safeguards**

*The Security Rule defines Administrative Safeguards as administrative actions, policies and procedures, to manage the selection, development, implementation, and maintenance of security measures to protected electronic protected health information and to manage the conduct of the covered entity's workforce in relation to the protection of that information.*

- **Security Management Process**
- **Risk Management**
- **Sanctions**
- **Security Officer**
- **Workforce Access**
- **Protection from Malicious Software**
- **Security Reminders**
- **Passwords**

## HIPAA Security (Cont.)

### *Security Reminders*

- Periodic security updates will be posted

### *Log-in Monitoring*

- As part of HIPAA Security measures your log-in attempts may be monitored
- Do not use generic login user IDs

# Physical Safeguards

*The Security Rule defines Physical Safeguards as physical measures, policies, and procedures to protect a covered entity's electronic information systems and related buildings and equipment from natural and environmental hazards, and unauthorized intrusion.*

- Facility access controls
- Access control and validations
- Workstation security
- Device and media controls

# Technical Safeguards

*The Security Rule defines Technical Safeguards as the technology and the policy and procedures for its use that protect electronic protected health information and control access to it.*

- Unique user ID
- Automatic log-off
- Audit controls
- Information integrity
- Authentication of person or entity

# **Conflicts of Interest**

- Outside Employment and Directorships
- Using LabCorp's Time and Assets for Personal Benefit
- Family Members and Close Personal Relationships
- Public Service

# **Anti-Trust**

- Anti-Trust = Business activities that hurt competition***
- Examples: Price fixing / Sharing information with competitors***
- Red Flags: Price discussions / Planning market share***

# Sarbanes-Oxley

## *What is Sarbanes-Oxley?*

The Sarbanes-Oxley Act of 2002 requires publicly traded companies like LabCorp to conduct an annual assessment and attestation of the effectiveness of internal controls and procedures for financial reporting.

### *Evaluate significant financial processes*

- Review
- Document
- Assess
- Test

*Attest that the company's financial statements are materially correct*

## Sarbanes-Oxley (Cont'd)

### *What are Internal Controls?*

- A process designed to provide reasonable assurance regarding the achievement of objectives in the following three categories: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with laws and regulations.
- Internal controls are fundamental to the accurate recording of transactions and the preparation of reliable financial reports and involve people throughout our organization.

## Sarbanes-Oxley (Cont'd)

*How can a LabCorp employee help maintain internal controls?*

- Through compliance with LabCorp's Code of Business Practices, The Business Practices Manual and all other LabCorp policies and procedures, an employee is helping to maintain internal controls.

## Sarbanes-Oxley (Cont'd)

### *ACCOUNTING HOTLINE*

*1-866-469-6893*

- Provides a confidential and anonymous method for reporting a possible violation of internal accounting controls or auditing matters.

# Compliance-Related Areas

LABC004028  
CONFIDENTIAL

# Internal Audit

*Audits LabCorp's compliance with laws, regulations  
and internal policies*

*Reviews the work of systems and individuals to ensure  
compliance*

## Corporate Safety

- Environmental Safety
- Employee Health and Safety
  - OSHA
  - Specimen Packaging & Transport
  - Injury & Illness Prevention

# Human Resources

- Employment
  - Equal Opportunity Employment
  - Sexual Harassment
- Benefits
  - Interpersonal conflict
  - Substance Abuse
  - Other Policies

# How to Identify a Compliance Issue

**Ask on Quick Test**

*Does it comply with the law and all compliance policies and procedures?*

*How would it make you feel if you did it?*

*How would it look to your family and friends, our clients, shareholders, and the general public?*

*If you know it's wrong, don't do it!*

*If you are not sure, ask.*

*Keep asking until you get an answer that makes sense.*

- Local compliance policies
- LabCorp's Corporate policies
  - Code of Business Practices
  - Business Practices Manual
  - HIPAA Privacy Practices Manual
- Ask someone - the LabCorp Four-Step Communication Program

## *Who to Ask?*

*Supervisor*

*Department Manager*

*Divisional or Regional Compliance Officer, local Human Resources Representative, General Manager, and/or Divisional Senior Vice President*

*Corporate Representative.*

**Executive Vice President  
Chief Compliance Officer  
Brad Smith**

**Corporate Compliance**

**Director - Tiana Ayotte**

**Compliance Counsel - Kathy Chavis**

**Compliance Officers - Julie Thomas and Chris Hartley**

**Administration - Renee Tatum**

**Related Areas**

**Safety - Tiana Ayotte**

**Audit - Dale Phipps**

**HR Compliance - Melissa Holmes**

**Legal Counseling - Sandy van der Vaart**

**State Reporting - Bobby Dixon**

**HIPAA - Don Luu**

**Dianon - Thom Kossl**

**Action Line**

**800-801-1005**

Monday through Friday  
8am to 12pm and 1pm to 5pm Eastern

e-CAL

[http://home.labcorp.com/legal\\_home/compliance/actionline.  
htm](http://home.labcorp.com/legal_home/compliance/actionline.htm) [cal@labcorp.com](mailto:cal@labcorp.com)

Note: Calls to the CAL are anonymous and confidential.  
Anonymity cannot be guaranteed using e-CAL, but all  
reported issues are considered confidential.

Contacts

Burlington Main Number - (336 or 800) 222-7566  
Corporate Compliance - (336) 436-4026  
Safety - (336) 436-5022  
Audit - (336) 436-5060  
HR Compliance - (336) 436- 6211  
Contracts - (336) 436-5034  
State Reporting - (336) 436-4028

HIPAA Hotline -

**877-23-HIPAA**

e-mail: [privacyofficer@labcorp.com](mailto:privacyofficer@labcorp.com)

Compliance Action Line

**800-801-1005**

e-CAL

8am-12pm

1pm-5pm

EST

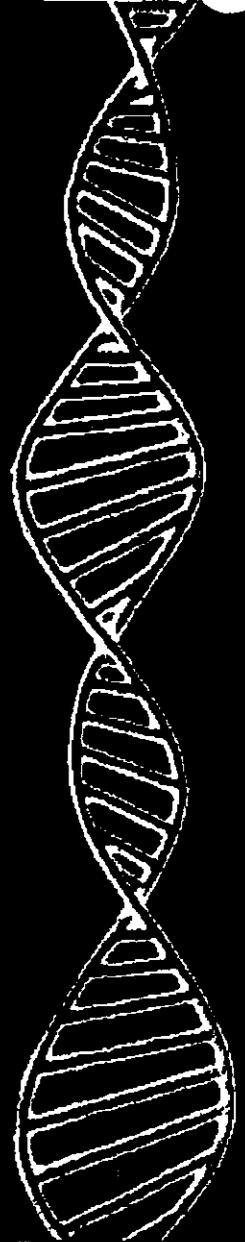
Mon.-Fri.

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