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New York State and New York City to Pay Record \$540 Million to Settle Allegations of False Claims for Medicaid Funds

WASHINGTON – The state of New York and New York City have agreed to pay \$540 million to settle allegations that they knowingly submitted, or caused to be submitted, false claims for reimbursement for school-based health care services, primarily speech therapy and transportation, provided to Medicaid eligible children from 1990 to 2001, the Justice Department announced today. The settlement is a record federal recovery by the Justice Department for the Medicaid Program.

Medicaid, which is administered by the Centers for Medicare & Medicaid Services (CMS) inside the Department of Health and Human Services, is a matching program in which the United States shares the cost of medical services for the poor and disabled with the states. Since the early 1990's, the United States has paid New York State billions of dollars as the federal government's share of health care costs for services provided to Medicaid-eligible school children under New York's School Supportive Health Services Program and Preschool Supportive Health Services Program. These programs were developed jointly by New York's education and health departments to assist local school districts, counties, and other schools in obtaining Medicaid reimbursement for covered diagnostic and health support services provided to students with disabilities.

The settlement resolves allegations that for the period 1990 to 2001, the state of New York knowingly failed to provide proper guidance to the districts and counties outlining the requirements for a service to be covered by the Medicaid program, failed to monitor the districts and counties for compliance as required by the program and passed on claims to the federal government for services it knew were not covered or properly documented, all to make the United States pay a larger share of New York's Medicaid costs.

In addition, the settlement resolves allegations that New York City submitted claims to the state for false speech services. The state then passed these claims on to the federal government for Medicaid reimbursement.

The state of New York will pay \$440 million over time, partly in cash and partly by releasing its claim to payments withheld. New York City's share of the settlement, \$100 million, will also be paid over time. The state of New York also entered into a three-year Program Compliance Agreement with CMS to ensure that services are properly delivered and billed in the future.

The government's allegations arose from two lawsuits filed under the *qui tam* or whistleblower provisions of the False Claims Act, which allow private persons, known as "relators," to file actions on behalf of the United States and share in any recovery. The relator in these cases, a speech therapist who provided services to preschool children in upstate New York, alleged that New York State and its school districts submitted false claims for speech services that did not qualify for Medicaid reimbursement. The relator will receive \$10 million from the settlement.

The lawsuits triggered a series of statewide audits by the Health and Human Services Office of the Inspector General (HHS OIG) and CMS. The Department of Justice's Civil Division, in conjunction with the HHS OIG and CMS, handled the case.

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