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COAST PLAZA DOCTORS HOSPITAL AND THE ESTATE OF FORMER CEO PAY \$4.1 MILLION TO SETTLE MEDICARE FRAUD CLAIMS

Coast Plaza Doctors Hospital in Norwalk and the estate of the former chief executive have agreed to pay the United States more than \$4.1 million to resolve allegations that Coast Plaza and the former CEO defrauded the federal Medicare program, United States Attorney Debra W. Yang announced today.

Coast Plaza and the estate of Gerald J. Garner agreed to pay \$4,106,735 to resolve allegations that the hospital and Garner defrauded Medicare, the taxpayer-funded health care insurance program for many of the nation's elderly and disabled.

Coast Plaza is an approximately 123-bed acute care facility, and Garner was the hospital's chief executive officer and chairman of the board until he died after an automobile accident in April 2002.

The settlement resolves a portion of a "whistleblower" lawsuit filed in 1999 by Raul Lopez, a former chief financial officer of Coast Plaza. After the settlement was paid on January 27, the government asked that the Medicare fraud claims in the lawsuit be dismissed. The United States Attorney's Office learned that United States District Judge Gary L. Taylor today signed the dismissal.

For the fiscal years 1994 through 1999, hospitals were generally reimbursed by Medicare for their reasonable, necessary and actual expenses incurred in providing hospital services to Medicare patients. Medicare was defrauded by Coast Plaza and Garner's alleged practice of:

- writing checks to a variety of vendors and other payees;
- immediately posting the check amounts as expenses in the hospital's accounting system;
- claiming and receiving reimbursement from Medicare for a portion of the posted expenses; and
- never actually sending or delivering the checks to the payee.

The checks were allegedly voided and re-booked to general ledger accounts described by Coast Plaza as "Checks Held" and "Discount Friends of CPDH."

The lawsuit alleged that Coast Plaza and Garner failed to offset the voided amounts against allowable and reimbursable costs claimed from Medicare. As a result, Coast Plaza allegedly received reimbursement from Medicare - and ultimately from the taxpayers who fund the program - for expenses the hospital never actually paid.

Coast Plaza and Garner also allegedly made claims to Medicare for expenses that were unrelated to caring for Medicare patients or were non-allowable pursuant to applicable Medicare regulations. As a result, Coast Plaza received additional Medicare funds to which it was not entitled.

The \$4,106,735 settlement represents an amount 2½ times the loss suffered by the Medicare program.

Pursuant to the *qui tam* provisions of the False Claims Act, Mr. Lopez as “whistleblower” will receive 17.5 percent - \$718,678.63 - of the settlement. Coast Plaza and Garner’s estate have agreed to pay Mr. Lopez an additional \$27,200 to cover attorney’s fees, costs and expenses.

Garner’s widow, Joan Garner, in her capacity as the executor of his estate, agreed to accept financial responsibility for the settlement along with Coast Plaza.

In addition to making the settlement payment, Coast Plaza executed a separate Integrity Agreement with the United States Department of Health and Human Services, which oversees the Medicare program.

The case was prosecuted by the United States Attorney’s Office for the Central District of California, which received investigative assistance from the Office of Inspector General for the Department of Health and Human Services, the Federal Bureau of Investigation, and IntegriGuard, LLC, a Medicare program safeguard contractor.

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[Return to the 2004 Press Release Index.](#)

[Return to the Home Page](#)