



U.S. Department of Justice

United States Attorney
District of Maryland

Rod J. Rosenstein
United States Attorney

Vickie E. LeDuc
Public Information Officer

36 South Charles Street
4th Floor
Baltimore, Maryland 21201

410-209-4800
TTY/TDD: 410-962-4462
410-209-4885
FAX 410-962-3091

Vickie.LeDuc@usdoj.gov

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**CONTACT AUSA VICKIE E. LEDUC or
MARCIA MURPHY at (410) 209-4885**

**HEALTH CARE BENEFITS COMPANY AGREES TO PAY \$2.2 MILLION
TO SETTLE FALSE BILLING CLAIMS**

Baltimore, Maryland - Sierra Military Health Services, LLC, a wholly owned subsidiary of Sierra Health Services, Inc., has agreed to pay \$2.2 million to settle allegations that it caused the submission of false claims to TRICARE Management Activity (TMA) from 1997 through 2004. TMA operates under the Department of Defense (DoD) and manages the TRICARE health care program for active duty service members and their families, retired service members and their families, National Guard/Reserve members and their families, survivors and others entitled to DoD medical care.

United States Attorney Rod J. Rosenstein said, "The alleged scheme resulted in double payment by TRICARE, the federal health benefit program responsible for ensuring quality health care for the active duty military, retirees, and their families. TRICARE paid for administrative costs under the contract, and then paid again when the costs were disguised as claims. The False Claims Act allows the Department of Justice to recover damages for false or fraudulent claims that were paid by the federal government."

In September 1997, Sierra entered into a contract with TMA to provide administrative and claims services for TRICARE beneficiaries in Region 1, which at the time included much of the East Coast. Sierra in turn subcontracted with other entities to provide some of those services, including the establishment of health care provider networks, utilization review and case management. One such Sierra subcontractor, Post Acute Care LLC (PAC), supplied long-term care and rehabilitation provider networks, case management and other services.

Under the terms of its contract with TMA, Sierra received an administrative fee to pay certain costs incurred to administer the TRICARE contract, including payments to subcontractors to assist with the administration of the contract, such as those performed by PAC. Sierra, however, did not pay PAC from its administrative fee. Rather, Sierra and PAC entered into an agreement under which PAC billed TRICARE for its costs by adding on PAC's fees into health benefits claims that PAC submitted to TRICARE on behalf of long-term care and rehabilitation facilities that rendered services to TRICARE beneficiaries. Sierra and PAC knew that the claims should have been paid from Sierra's administrative funds. The United States alleges that these PAC claims were false and that Sierra caused the submission of these false claims knowing that PAC should have been paid from Sierra's administrative fees under the contract rather than from TRICARE health care claims

funds.

PAC no longer exists as a corporate entity.

Enacted during the Civil War, the False Claims Act is the government's primary civil tool to combat fraud and abuse in federal programs and procurement. The Act allows the government to recover triple the amount of its actual damages, plus a civil penalty of \$5,500 to \$11,000 for each false claim. Pursuant to the agreement, Sierra does not admit that it violated the False Claims Act, nor does the government concede that its claims are not well founded.

United States Attorney Rod J. Rosenstein commended the investigative work performed by the Defense Criminal Investigative Service of the Department of Defense. Mr. Rosenstein also thanks Assistant U.S. Attorney Roann Nichols and Auditor Mary Hammond, who handled the case.