Department of Justice

U.S. Attorney's Office

Central District of California

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Interface Rehab to Pay $2 Million to Resolve Allegations It Caused Medicare Submissions for Unnecessary or Unreasonable Services

LOS ANGELES – Interface Rehab (Interface), headquartered and operating in Orange County, has agreed to pay $2 million to resolve allegations that it violated the False Claims Act by causing the submission of claims to Medicare for rehabilitation therapy services that were not reasonable or necessary.

The settlement resolves allegations that, from January 1, 2006, through October 10, 2014, the Placentia-based Interface knowingly submitted or caused the submission of false claims for medically unreasonable and unnecessary "Ultra High" levels of rehabilitation therapy for Medicare Part A residents at 11 Skilled Nursing Facilities. These facilities include Colonial Care Center, Covina Rehabilitation Center, Crenshaw Nursing Home, Green Acres Lodge, Imperial Care Center, Laurel Convalescent Hospital, Live Oak Rehabilitation Center, Longwood Manor Convalescent Hospital, Monterey Care Center, San Gabriel Convalescent Center, and Whittier Pacific Care Center.

In July 2020, the Department of Justice announced that Longwood Management Corporation and 27 affiliated skilled nursing facilities agreed to pay $16.7 million to the United States to resolve allegations that they violated the False Claims Act by submitting false claims to Medicare for rehabilitation therapy services that were not reasonable or necessary. The settlement announced today resolves Interface's role in that alleged conduct.

During the relevant time period, Medicare reimbursed skilled nursing facilities at a daily rate that reflected the skilled therapy and nursing needs of qualifying patients. The greater the patient's needs, the higher the level of Medicare reimbursement. The highest level of Medicare reimbursement for skilled nursing facilities was for "Ultra High" therapy patients, who required a minimum of 720 minutes of skilled therapy from two therapy disciplines (e.g., physical, occupational, or speech therapy), one of which had to be provided five days a week.

The United States contends that Interface pressured therapists to increase the amount of therapy provided to patients in order to meet pre-planned targets for Medicare revenue. These alleged targets could only be achieved by billing for a high percentage of patients at the "Ultra High" level without regard to patients' individualized needs.

“The claims that patients required ultra-high levels of care appear to be driven solely by a desire to send ultra-high bills to Medicare,” said Acting U.S. Attorney Tracy L. Wilkison for the Central District of California. “This case is further proof that the government will vigorously pursue those who attempt to cheat the taxpayer-funded system that pays for medical care for millions of Americans, sometimes with the help of whistleblowers who shine a light on fraud.”

“This settlement reflects our continuing efforts to protect patients and taxpayers by ensuring that the care provided to beneficiaries of government-funded health care programs is dictated by clinical needs, not a provider’s fiscal interests,” said Acting Assistant Attorney General Brian M. Boynton for the Department of Justice’s Civil Division. “Rehabilitation therapy companies provide important services to our vulnerable elderly population, but they will be held to account if they provide therapy services based on maximizing revenue rather than the interests of their patients.”

“Our agency will continue to aggressively investigate health care providers that attempt to boost their profits by falsely billing federal health care programs for medically unnecessary services,” said Special Agent in Charge Timothy B. DeFrancesca of the U.S. Department of Health and Human Services Office of Inspector General (HHS-OIG). “We will not tolerate such fraud schemes, which undermine medical decision-making and the public's trust in the health profession.”

“This multi-million dollar settlement agreement signifies an important conclusion to the government's investigation into Interface Rehab’s dubious business practices that tainted the integrity of federal healthcare programs, including the Department of Defense's TRICARE program, by unnecessarily inflating costs, ” said Paul K. Sternal, Deputy Director of the Defense Criminal Investigative Service (DCIS). “DCIS is committed to working with its law enforcement partners to protect the healthcare interests of our military service members, their families, and American taxpayers.”

This civil settlement includes the resolution of claims brought under the qui tam or whistleblower provisions of the False Claims Act by Keith Pennetti, a former Director of Rehab at Interface. Under those provisions, a private party can file an action on behalf of the United States and receive a portion of any recovery. Mr. Pennetti, will receive $360,000 of the settlement proceeds. The qui tam case is captioned *United States ex rel. Pennetti v. Interface Rehab, et al.*, No. CV-14-4133 (C.D. Cal.).

The resolution obtained in this matter was the result of a coordinated effort between the Civil Division’s Commercial Litigation Branch, Fraud Section, and the U.S. Attorney’s Office for the Central District of California with assistance from the U.S. Department of Health and Human Services Office of Inspector General and the Defense Criminal Investigative Service.

The investigation and resolution of this matter illustrates the government’s emphasis on combating health care fraud. One of the most powerful tools in this effort is the False Claims Act. Tips and complaints from all sources about potential fraud, waste, abuse, and mismanagement, can be reported to the Department of Health and Human Services at 800-HHS-TIPS (800-447-8477).

The matter was investigated by Assistant United States Attorney John E. Lee of the Civil Division’s Civil Fraud Section and Justice Department Trial Attorney Amy Likoff.

The claims resolved by the settlement are allegations only and there has been no determination of liability.

Topic(s):
False Claims Act

Component(s):
USAO - California, Central

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