

THE UNITED STATES ATTORNEY'S OFFICE
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Department of Justice

U.S. Attorney's Office

District of Massachusetts

FOR IMMEDIATE RELEASE

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MD Labs and its Co-Founders Agree to Pay Up to \$16 Million to Resolve Allegations of Fraudulent Billing

Defendants billed Medicare for expensive and unnecessary urine drug testing

BOSTON – A Nevada-based clinical laboratory, MD Spine Solutions LLC, d/b/a MD Labs Inc., and two of its owners and co-founders have agreed to resolve allegations that MD Labs submitted false claims for payment to Medicare, Medicaid, and other federal health care programs.

MD Labs, along with its owners and co-founders, Denis Grizelj and Matthew Rutledge, will pay up to \$16 million to settle this matter.

According to the settlement agreement, MD Labs, Grizelj, and Rutledge admit that between 2015 and 2019, MD Labs regularly billed federal health care programs for medically unnecessary urine drug testing (UDT). MD Labs performed and then billed federal health care programs for two types of UDT: presumptive testing, a relatively inexpensive test that quickly provides qualitative results, and confirmatory testing, an expensive test that is designed to confirm quantitatively the results of presumptive UDT. MD Labs performed both types of tests at approximately the same time and then simultaneously submitted the results to health care providers. MD Labs, Grizelj, and Rutledge knew that doctors would not review presumptive UDT results when they already had the more precise confirmatory UDT results. MD Labs, Grizelj, and Rutledge also knew that absent a presumptive UDT result there was often nothing to confirm, and so there was no basis to bill for a confirmatory UDT result. The settlement makes clear that the presumptive UDT results were frequently useless and its confirmatory UDT results baseless. Yet, MD Labs billed federal health care programs for these medically unnecessary lab tests.

“MD Labs, Grizelj, and Rutledge billed Medicare and other federal health care programs for wasteful urine drug testing,” said Acting United States Attorney Nathaniel R. Mendell. “They diverted valuable resources away from federal health care programs for expensive testing that was unnecessary. That kind of behavior will always get our attention.”

“The American people reasonably expect our government to be good stewards of taxpayer funds, including investigating those who try to defraud taxpayer-supported public health programs such as Medicare and Medicaid,” said Phillip M. Coyne, Special Agent in Charge of the U.S. Department of Health and Human Services, Office of the Inspector General, Office of Investigation. “Today’s settlement shows that we will

protect the integrity of such critical programs by thoroughly investigating fraudsters and thus holding them accountable for their schemes.”

“Unethical laboratories who line their pockets by over-billing for useless medical tests not only drain critical funds from Medicare and other federally funded health care programs, but they increase medical costs for all of us,” said Joseph R. Bonavolonta, Special Agent in Charge of the Federal Bureau of Investigation, Boston Division. “The FBI and our partners will do everything in our power to hold those who fraudulently bill the government accountable, as demonstrated by today’s settlement.”

“Our office is committed to holding accountable those who bill VA for unnecessary tests and pocket profits meant for veteran care,” said Special Agent in Charge Christopher Algieri, Department of Veterans Affairs Office of Inspector General’s Northeast Field Office. “We appreciate the work of the U.S. Attorney’s Office and our other law enforcement partners in bringing this case to a successful resolution.”

Under the terms of the settlement agreement, MD Labs, Grizelj, and Rutledge will pay the government and various states no less than \$11.6 million and up to \$16 million, depending on MD Labs’ financial circumstances over time. The settlement resolves allegations originally brought in a lawsuit filed by a whistleblower under the qui tam provisions of the False Claims Act, which allow private parties, known as relators, to bring suit on behalf of the government and to share in any recovery.

The United States previously resolved related allegations against Nevada Advanced Pain Specialists, which used MD Labs for UDT services, for \$1 million in August 2021.

Acting U.S. Attorney Mendell, HHS OIG SAC Coyne, FBI SAC Bonavolonta, and VA SAC Algieri, made the announcement. Assistant U.S. Attorney Abraham R. George, Chief of Mendell’s Affirmative Civil Enforcement Unit and Assistant U.S. Attorney Charles B. Weinograd, also of the Affirmative Civil Enforcement Unit, handled the matter.

Attachment(s):

[Download US v. MD labs Settlement agreement.pdf](#)

Component(s):

[USAO - Massachusetts](#)