

## Doctors took MRI kickbacks, suit says

*State alleges fraud costs insurers, patients millions*

*[Chicago Final Edition]*

Chicago Tribune - Chicago, Ill.

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HDate: Jan 18, 2007

HSection: News

HDocument Types: News

HText Word Count: 715

**H**The Illinois attorney general's office claims that more than 20 Chicago-area radiology centers engaged in a widespread scheme to win referrals for MRIs by paying illegal kickbacks to doctors.

The alleged scheme, which potentially resulted in health insurers being billed fraudulently for millions of dollars in claims, was disclosed in a lawsuit kept under seal until Wednesday, when the state announced that it was joining the suit as a plaintiff.

According to the suit, the doctors paid the centers a reduced rate for the magnetic resonance imaging and other services but charged patients' health insurers a higher rate, keeping the difference.

The MRIs were performed at the radiology centers, though the financial arrangement made it appear that the doctors were in charge of the equipment and billed the services as their own, the suit said. The attorney general's office alleged that the centers concocted "sham 'lease' agreements" to benefit the doctors, who then referred patients to the centers, sometimes for unnecessary tests.

"Illinois has a clear policy against kickbacks, and making payments to doctors for referral of patients is illegal, no matter how those payments are disguised," Atty. Gen. Lisa Madigan said in a statement. "Our investigation revealed evidence showing that this practice occurs among doctors and radiology centers in Illinois. This is an illegal practice that must stop."

The lawsuit was filed in February 2006 by the owner of a radiology service in Illinois. The suit was kept under seal in Cook County Circuit Court while Madigan's office investigated and decided whether to intervene. According to the suit, the scheme had been in place for 18 months prior to the suit being filed.

The scope of the fraud outlined in the lawsuit could cost insurers and consumers millions of dollars, an attorney involved in the case said. Under state law, penalties can run as high as \$10,000 for each fraudulent claim billed to an insurance company.

The number of claims could run into the thousands. The attorney general's office said the scope of the alleged fraud is still being calculated.

The ordering of diagnostic tests such as MRIs by doctors has long been considered a significant contributor to soaring health-care costs.

Under a scenario outlined by attorneys involved in the case, a physician may pay \$400 as a "lease rate," then that physician bills the private insurance company \$1,000, pocketing the difference for doing nothing other than referring the patient.

Although only 11 companies that operate MRI centers were named in the lawsuit, the attorney general's office thinks the scheme stretches beyond Illinois and across the country. A spokeswoman for one of the operators, MIDI LLC of Virginia, which operates 13 Open Advanced MRI facilities in the Chicago area, said the company's general counsel would not comment Wednesday because she had not had time to review the complaint.

"The physicians provide no services, but merely refer the patients," the lawsuit states. "Each participating MRI service center involved performs the subject MRI services and then engages in the making of illegal and unlawful kickbacks to the physician from payments made by both Illinois citizen patients and their insurers."

No doctors were named in the lawsuit.

An attorney for the plaintiff, John Donaldson, who runs a competing MRI service, said consumers are harmed because they could be subject to tests that are not medically necessary because the doctors make money for every time they refer a patient for the MRI. Donaldson's attorney would not disclose the name or location of her client's business.

"The harm to consumers is overutilization of imaging services because the referring physician makes a significant amount of money each time for each referral," said Donaldson's attorney, Anne Haule of Chicago law firm Ungaretti & Harris. "It also leads to potential lower quality of the MRI services because the MRI facility has to share its revenue with the referring physicians, so they have less money to spend on state-of-the-art equipment and quality personnel."

By intervening in the case, Madigan's office essentially takes on the civil prosecution of the case from attorneys for Donaldson, the initial plaintiff. The lawsuit alleges the defendants violated the Consumer Fraud and Deceptive Business Practices Act, Illinois' anti-kickback law and the Insurance Fraud Prevention Act. The lawsuit seeks an unspecified amount of restitution, damages and penalties.

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**Abstract (Document Summary)**

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