



Client Alert

Contact Attorney Regarding
This Matter:

Meredith M. Burris
404.873.8164 - direct
404.873.8165 - fax
meredith.burris@agg.com

Imaging Centers Settle Anti-kickback Lawsuit With State of Illinois Over MRI Leasing Arrangements

In January 2009, MIDI, LLC, an operator of 14 radiology centers in the Chicago area, agreed to settle a lawsuit, which alleged illegal kickbacks to physicians from the centers, for \$1.2 million dollars. The civil lawsuit, which was filed in 2007 by a competing MRI clinic, claimed that the MIDI-affiliated centers violated the Illinois consumer Fraud and Deceptive Business Practices Act, as well as state anti-kickback laws. The state of Illinois intervened in the suit and filed an amended complaint. Specifically, the complaint alleged that the radiology centers entered into "sham" lease agreements with physicians under which the doctors paid a reduced rate for MRI and CT scans while billing patients' insurance companies a much higher rate (i.e. the full amount of the service), which allowed the referring physicians to keep the difference.

It has been revealed that this settlement stems from a larger investigation, which targeted nearly 20 facilities for allegedly paying illegal kickbacks to doctors in exchange for referring patients to certain centers. It is particularly notable in that it is apparently the first large-scale state effort to target such arrangements, which have also increasingly generated federal government scrutiny. The five other MRI centers named in the same lawsuit had already settled prior to the announcement of MIDI, LLC's settlement in January.

The settlement requires MIDI, LLC and the 14 Open Advanced MRI centers involved to cease their current "kickback" practices, as well as pay the \$1.2 million fine that will cover money damages, restitution, and penalties. The State of Illinois will receive approximately \$840,000 of the fine, which will be used to provide grants to increase healthcare access to low-income residents in Illinois. Under Illinois' whistle blower law, the competing MRI clinic also will receive an undisclosed percentage of the settlement. The company and the centers admitted no wrongdoing in the settlement agreement and indicated to numerous sources in the media that the settlement was reached to avoid the onerous costs of a lengthy investigation and ongoing litigation.

Attorney General Lisa Madigan stated that the lawsuit, which has been watched closely by professionals in the radiology field, "Sends a strong message that medical professionals cannot engage in schemes to line their pockets, at the expense of providing the best patient care." Madigan also stated that, following this lawsuit, patients should feel confident that when they are sent to receive an MRI scan it is because it is medically necessary.

A copy of the consent order can be accessed here: http://www.illinoisattorneygeneral.gov/pressroom/2009_01/MIDI_CONSENT_DECREE_01-14-2009_11-13-27.pdf

Arnall Golden Gregory LLP serves the business needs of growing public and private companies, helping clients turn legal challenges into business opportunities. We don't just tell you if something is possible, we show you how to make it happen. Please visit our website for more information, www.agg.com.

This alert provides a general summary of recent legal developments. It is not intended to be, and should not be relied upon as, legal advice.

Arnall Golden Gregory LLP
Attorneys at Law
171 17th Street NW
Suite 2100
Atlanta, GA 30363-1031
404.873.8500
www.agg.com