



Rural Hospital Sued by Insurer for Alleged Fraudulent Laboratory Billing

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On March 28, 2018, Plaintiffs Blue Cross and Blue Shield of Georgia (“BCBS Georgia”), its parent company and affiliates, filed a complaint against Defendants Aaron Durall, two of his business associates in Florida, and companies owned by Durall, including DL Investment Holdings, LLC dba Chestatee Regional Hospital (“Chestatee Regional”) and Reliance Laboratory Testing (a Florida-based lab company), alleging that Defendants engaged in a fraudulent laboratory billing scheme. Chestatee Regional is a 49-bed hospital located in Dahlonega, Georgia, and was acquired from Southern Health Corporation of Dahlonega in August 2016 by Durall Capital for approximately \$15 million. Prior to the acquisition, BCBS Georgia and Southern Health Corporation of Dahlonega had three contracts in place which rendered Chestatee Regional a participating provider in the BCBS Georgia provider network. The contracts also established the rates at which BCBS Georgia would reimburse the hospital. These provider agreements were assigned from Southern Health Corporation of Dahlonega to Durall Capital as part of the acquisition.

Although clarity is often lacking in payor agreements, BCBS Georgia claims the provider contracts make clear that Chestatee Regional would be reimbursed only for hospital services provided by Chestatee Regional to BCBS members. Defendants allegedly violated these contracts by billing for lab services provided at Reliance Labs, which is a non-participating toxicology lab (or other non-participating laboratories), as if the testing had been performed at and by Chestatee Regional. BCBS Georgia alleges it was then billed for laboratory tests as if they had been performed at and by Chestatee Regional to take advantage of Chestatee Regional’s participating status with and favorable reimbursement rates from BCBS Georgia due to its rural status (reimbursement to rural hospitals is typically at a higher rate to keep such providers in business). The complaint further alleges that, to maximize profits, Defendants leveraged a nationwide network of healthcare providers and laboratories (including pain clinics and drug detoxification or rehabilitation facilities) who provided their patient’s specimens and, in some instances, received a portion of the amount that Chestatee Regional was reimbursed by BCBS Georgia in return. According to the complaint, if Defendants had disclosed the entity actually performing the testing, the claims would have been paid at substantially lower rates (\$100 and \$300 per specimen tested compared to tests billed through Chestatee Regional, which were typically paid in excess of \$1,400 per specimen tested).

The billing practices at issue were uncovered when BCBS Georgia received a complaint from a member located in West Virginia in April 2017 regarding a bill for testing that was noted to be performed by Chestatee Regional. In response, a BCBS Georgia representative spoke with a Chestatee Regional employee, who reported that claims were billed by Chestatee Regional for patients who were never seen at Chestatee Regional. Further investigation allegedly revealed that Chestatee Regional could not provide all records relating to a sample of UDT claims billed to the BSBS Georgia plan. In addition, Chestatee Regional’s on-site laboratory director informed a BCBS Georgia investigator that the test results identified by BCBS Georgia could not have been performed at Chestatee Regional’s on-site laboratory. On April 12, 2017, a BCBS Georgia investigator sent a letter to Aaron Durall summarizing BCBS Georgia’s analysis of the sample claims and records provided by Chestatee Regional, asserting that much of the testing was not medically necessary, among other issues.

BCBS Georgia’s complaint seeks compensation and equitable relief, punitive damages, and injunctive relief. Chestatee Regional is now, once again, changing ownership with Northeast

Georgia Health System serving as the potential buyer. To ensure that liabilities will not be assumed by Northeast Georgia Health System, the hospital will need to be closed for an undetermined amount of time. Notably, Aaron Durall also owns Jenkins County Hospital in Millen, Georgia, also a small, rural hospital. In 2017, Jenkins County Hospital was on the verge of closing due to its financial woes. As reported by the Atlanta Journal Constitution¹, the hospital was also “saved by the money from [Durall’s] business plan to profit from drug tests.”

This case highlights the plight of many rural hospitals, which are seeking new and novel revenue streams to keep their doors open. By the same token, health plans are engaging in more aggressive tactics to review utilization and reduce health care costs for their members. For example, in the fall of 2017, Anthem Blue Cross Blue Shield announced its policy to deny coverage of emergency department visits for non-emergencies. The stakes are particularly high for providers in rural counties, as these providers are typically already at an economic disadvantage.

Despite challenges like the complaint against Chestatee, rural hospitals must continue to use innovation, cost efficiencies, and leverage the right resources to achieve financial successes. The Rural Health Information Hub provides examples of rural health models and innovative strategies that have proven effective for rural health providers. An overview and information about these project is available on the Rural Health Information Hub’s website at <https://www.ruralhealthinfo.org/project-examples>.

¹ Ariel Hart and Sheila M. Pool, *Hospital thought it had answer for rural struggles. Now it’s in peril.*, The Atlanta Journal Constitution, April 14, 2018 (available <https://politics.myajc.com/news/state--regional-govt--politics/hospital-thought-had-answer-for-rural-struggles-now-peril/97T2FEzh0rjyYN0JisxLLI/>) (last visited 5/1/2018)

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