27 Skilled Nursing Facilities Controlled by Longwood Management Corp. to Pay $16.7 Million to Resolve Allegations of Inflated Medicare Bills

LOS ANGELES – Longwood Management Corporation and 27 affiliated skilled nursing facilities (Longwood) have agreed 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 Department of Justice announced today. Longwood is headquartered in Los Angeles, and the 27 skilled nursing facilities are located in Southern California.

“Longwood’s business plan called for substantial revenue from Medicare, and it pressured therapists to provide additional, unnecessary services when targets were not met,” said United States Attorney Nick Hanna. “This case demonstrates the power of whistleblowers to shine a light on improper business practices and obtain significant recoveries on behalf of United States taxpayers.”

“This settlement reflects the Department’s continuing commitment to ensure that patients are receiving individualized healthcare services appropriate to their specific medical needs,” said Acting Assistant Attorney General Ethan P. Davis for the Department of Justice’s Civil Division. “When skilled nursing facilities provide rehabilitation therapy services based on maximizing revenue rather than the interests of their patients, we will hold them accountable.”

The settlement resolves allegations that Longwood submitted false claims for rehabilitation therapy by engaging in a systematic effort to increase Medicare billings. Medicare reimburses skilled nursing facilities at a daily rate that reflects 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 is for “Ultra High” therapy patients, who require a minimum of 720 minutes of skilled therapy from two therapy disciplines (e.g., physical, occupational or speech therapy), one of which has to be provided five days a week.

Longwood allegedly knowingly submitted or caused the submission of false and fraudulent claims to Medicare for medically unreasonable and unnecessary Ultra High levels of rehabilitation therapy for Medicare Part A residents. Specifically, Longwood allegedly pressured therapists to increase the amount of therapy provided to patients to meet pre-planned targets for Medicare revenue. These targets were alleged
to have been set without regard to patients' individual therapy needs and could only be achieved by billing for a high percentage of patients at the Ultra High level.

The settlement covers conduct that occurred from May 1, 2008 through August 1, 2012 at six facilities: Alameda Care Center in Burbank, Burbank Rehabilitation Center, Magnolia Gardens Convalescent Hospital in Granada Hills, Montrose Healthcare Center, Sherman Oaks Health & Rehab Center, and West Hills Health & Rehab Center.

The settlement also covers conduct that occurred from January 1, 2006 through October 10, 2014 at 21 facilities: Burlington Convalescent Hospital in the Westlake District of Los Angeles, Chino Valley Rehabilitation Center LLC, Colonial Care Center in Long Beach, Covina Rehabilitation Center, Crenshaw Nursing Home, Green Acres Lodge in Rosemead, Imperial Care Center in Studio City, Imperial Crest Health Care Center in Hawthorne, Laurel Convalescent Hospital in Fontana, Live Oak Rehabilitation Center in San Gabriel, Longwood Manor Convalescent Hospital in the Mid-City District of Los Angeles, Monterey Care Center in Rosemead, Intercommunity Healthcare Center in Norwalk, Park Anaheim Healthcare Center, Pico Rivera Healthcare Center, San Gabriel Convalescent Center, Whittier Pacific Care Center, Studio City Rehabilitation Center, Sunnyview Care Center in the Pico Union District of Los Angeles, View Park Convalescent Center in Baldwin Hills, and Western Convalescent Hospital in the Jefferson Park District of Los Angeles.

Contemporaneous with the civil settlement, Longwood has entered into a five-year Corporate Integrity Agreement with the Department of Health and Human Services Office of Inspector General (HHS-OIG) that requires an independent review organization to annually assess the medical necessity and appropriateness of therapy services billed to Medicare.

"The government contended Longwood falsely claimed medically unreasonable and unnecessary levels of rehabilitation services at the expense of taxpayers," said Timothy B. DeFrancesca, Special Agent in Charge for the Office of Inspector General of the U.S. Department of Health and Human Services. "My agency's compliance agreement is designed to monitor claims to Medicare and prevent submission of false claims in the future."

The settlement partially resolves allegations brought in two lawsuits filed by whistleblowers under the qui tam provisions of the False Claims Act, which allows private parties to bring suit on behalf of the government and to share in any recovery. The whistleblowers – Judy Boyce, Benjamin Monsod and Keith Pennetti – will collectively receive $3,006,000 of the settlement proceeds.

The settlement was the result of a coordinated effort by the United States Attorney's Office for the Central District of California (Assistant United States Attorney John Lee of the Civil Fraud Section), the Civil Division of the Department of Justice, the United States Attorney's Office for the Northern District of Alabama, the U.S. Department of Health and Human Services Office of Inspector General, and the Defense Criminal Investigative Service.

The cases are captioned United States ex rel. Pennetti v. Longwood Management Corp., et al., CV14-4133 (C.D. Cal.), and United States ex rel. Boyce, Judy and Monsod, Benjamin v. Aegis Therapies, Inc., GGNSC Holdings LLC, and Longwood Management Corp., CV16-8050 (C.D. Cal.). The claims resolved by this agreement are allegations only and there has been no determination of liability.
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