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Department of Justice

U.S. Attorney's Office

Western District of Washington

FOR IMMEDIATE RELEASE

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DOJ and CEO of defunct medical testing laboratory settle False Claims Act and Anti-Kickback Statute civil case

Founder of Northwest Physicians Laboratory to pay \$1.1 million

Seattle – A False Claims Act/Anti-Kickback Statute civil matter was resolved today with an agreed \$1.1 million payment by the former Chief Executive Officer of a now defunct medical testing lab, announced U.S. Attorney Nicholas W. Brown. Jae Lee, 50, of Bellevue, Washington, served as the CEO of Northwest Physicians Laboratory (NWPL) from January 1, 2013, until July 30, 2015. Lee has agreed to pay \$500,000 within 30 days of the settlement agreement, with additional payments annually until full payment is made.

“Resolving this civil case, as well as Mr. Lee’s guilty plea in the criminal case last year, are major milestones in this health care fraud investigation,” said U.S. Attorney Brown. “The Anti-Kickback statute is aimed at protecting the public by keeping fraud from inflating our health care costs. When, as in this case, a whistleblower brings fraud to our attention the U.S. Attorney’s Office will vigorously pursue an investigation.”

The settlement with Jae Lee is the third such settlement involving the kick-back scheme and NWPL. In July 2020, the U.S. Department of Justice reached a \$12 million settlement with Sterling Healthcare Opco, LLC d/b/a/Cordant Health Solutions (Cordant) of Tacoma and Denver. In December 2018, Vancouver, Washington, testing lab MTL agreed to pay \$1,777,738 to settle allegations that it violated the False Claims Act by paying illegal kickbacks to obtain referrals for government healthcare insurance programs.

According to those settlements, and the one signed today with Jae Lee, between January 2013 and July 2015, both MTL and Sterling/Cordant made payments to NWPL in exchange for referrals of Medicare and TRICARE program business, in violation of the Anti-Kickback Statute. Paying remuneration to medical providers or provider-owned laboratories in exchange for referrals encourages providers to order medically unnecessary services. The False Claims Act and the

Anti-Kickback Statute function, in part, to discourage such behavior. NWPL was physician-owned, and for that reason could not test urine samples for patients covered by government health programs such as Medicare, Medicaid, and TRICARE. In order to conceal the payment of the kickbacks, MTL, Sterling/Cordant and NWPL described the fees as being for marketing services; however, no marketing services were performed.

“The payment or acceptance of kickbacks run counter to the goals of Federal health care programs,” stated Steven Ryan, Special Agent in Charge with the U.S. Department of Health and Human Services Office of Inspector General. “Providers are trusted to select patient services based on medical necessity and their sound judgement, not their greed. Stamping out kickbacks in these programs remains a top priority for our agency and partners.”

“The announced settlement concludes a multi-year civil investigation that clearly demonstrates the government’s commitment to hold accountable those whose actions tainted the integrity of federal healthcare programs, including the Department of Defense’s TRICARE program,” said Bryan D. Denny, Special Agent in Charge for the Department of Defense Office of Inspector General, Defense Criminal Investigative Service (DCIS), Western Field Office. “As exemplified in this case, DCIS will continually work with its law enforcement partners to defend against questionable business practices in order to protect taxpayer dollars and the health care interests of our military members and their families, as well as the American public.”

The whistleblower in this case will receive 15% of the funds as is common under the qui tam statute.

The criminal case concerning the kickback scheme remains ongoing. Richard Reid, 52, of Astoria, Oregon, Kevin Puls, 56, of Bellevue, are scheduled for trial in January 2022. Former NWPL CEO Jae Lee and MTL Vice-President Steve Verschoor have pleaded guilty and are scheduled for sentencing in March 2022. NWPL as a corporate entity was sentenced in May 2021, and ordered to pay \$8,114,417 in restitution joint and several with the other defendants.

The case is being investigated by the FBI, Health and Human Services Office of Inspector General (HHS-OIG), and the Defense Criminal Investigative Service (DCIS).

The civil case was handled by Assistant United States Attorney Kayla Stahman.

Topic(s):

False Claims Act

Component(s):

USAO - Washington, Western

Contact:

Press

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