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Department of Justice

U.S. Attorney's Office

Western District of Washington

FOR IMMEDIATE RELEASE

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Co-Owner of defunct medical testing lab convicted of kickback scheme to profit on urine drug tests for government insurance programs

Physician owned lab sent test specimens to other labs in return for huge fees disguised as payments for “marketing services”

Seattle – A resident of Astoria, Oregon was convicted this week in U.S. District Court in Seattle of five federal felonies connected to his scheme to profit from illegal kickbacks in the medical testing industry, announced U.S. Attorney Nick Brown. Richard Reid, 53, was convicted following a six-day jury trial. Reid faces up to 5 years in prison on each count when sentenced by U.S. District Judge John C. Coughenour on July 12, 2022.

“Mr. Reid devised this scheme, knowing that it was illegal to profit on tests conducted by his toxicology lab that were paid for by government insurance,” said U.S. Attorney Brown. “The web of referrals and kick-backs increased profits for Reid and his co-conspirators, while inflating medical costs for the rest of us. This is essentially theft from taxpayers. I commend the investigators and our prosecutors who unraveled the scheme and are holding Mr. Reid accountable.”

The activities of Bellevue-based Northwest Physicians Laboratory (NWPL) have been the subject of extensive civil and criminal litigation. Richard Reid was one of the owners and the Vice President of Sales for NWPL. Reid helped NWPL obtain more than \$3.7 million in kickback payments by steering urine drug test specimens to two labs that could bill the government for testing. This resulted in government payments to those two labs of more than \$6.5 million.

According to records filed in the case between January 2013 and July 2015, two labs, that were not physician owned, 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 Anti-Kickback Statute functions, 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, Reid and other co-conspirators involved described the fees as being for marketing services; however, no marketing services were performed.

Reid was convicted of one count of conspiracy to solicit and receive kickbacks involving health care programs and four counts of receipt of kickbacks. Each count is punishable by up to 5 years in prison. The actual sentence will be determined by Judge Coughenour after considering the U.S. Sentencing Guidelines and other statutory factors.

The company, NWPL, pleaded guilty in February 2021 and was sentenced to pay \$8,114,417 in restitution joint and several with the other criminal defendants. NWPL has dissolved. To date, the labs and individuals involved in this investigation have paid more than \$14 million to settle related civil allegations.

In addition to Reid, three other defendants have pleaded guilty and await sentencing. Former NWPL CEO Jae Lee is scheduled for sentencing on May 24, 2022. Kevin Puls, the former Executive Director of NWPL is scheduled for sentencing June 7, 2022. Both will be sentenced by Judge Coughenour. Steve Verschoor, who headed one of the labs that paid the kickbacks is scheduled for sentencing by Judge James L. Robart on May 10, 2022.

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

The case is being prosecuted by Assistant United States Attorneys Brian Werner and Michael Dion.

Health Care Fraud

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