

## Policy and Procedure: False Claims Act

**Departments Affected:** All

**Policy Group:** Compliance

**Replaces Policy:** all versions prior to 03/28/19

---

### I. Purpose

It is the policy of Special Citizens Futures Unlimited's (SCFU) to detect and prevent fraud, waste, and abuse in Federal health care programs. This Policy explains the Federal False Claims Act (31 U.S.C. §§ 3729 – 3733), the Administrative Remedies For False Claims (31 USC Chapter 38 §§3801-3812), the New York State False Claims Act (State Finance Law §§187-194), and other New York State laws concerning false statements or claims and employee protections against retaliation. This policy also sets forth the procedures that SCFU has put into place to prevent any violations of Federal or New York State laws regarding fraud or abuse in its health care programs. (Refer to Appendix A for explanation of Laws)

No employee shall participate in any arrangement or activity independently or at the direction of another person, including any supervisor, manager or contractor that results in the submission of a false claim, including, but not limited to a false or misleading entry on claims forms or documentation of services. SCFU is committed to prompt, complete, and accurate billing of all services provided to individuals. Any employee who directly encourages or pressures another to participate in an arrangement or activity that results in the submission of a false or misleading claim will be subject to disciplinary action up to and including termination of employment.

Any employee, who has any reason to believe that someone is engaging in false billing practices or false documentation of services must report the practice according to SCFU's reporting procedures of compliance violations. Failure to do so may result in disciplinary action up to and including termination of employment.

In order to encourage individuals to come forward and report misconduct involving false claims, the False Claims Act contains a "Whistleblower" provision. Any person, who has actual knowledge of allegedly false claims, may file a lawsuit on behalf of the US Government.

SCFU will not intimidate or take retaliatory action against any current or former employee who discloses information about the Agency's policies, practices, or

activities to a regulatory agency, law enforcement, or other similar agency. No person, who in good faith, reports a compliance violation shall be retaliated against in any way. Any employee who intimidates or retaliates against someone who has reported a violation in “good faith” will be subject to discipline up to and including termination of employment, business relationship, or contract.


## **II. Procedures for Implementation**

- A. SCFU will perform billing activities in a manner consistent with the regulations and requirements of third-party payors such as Medicaid and Medicare
- B. SCFU will conduct regular auditing and monitoring procedures as part of its efforts to assure compliance with applicable laws and regulations
- C. Any employee, contractor, volunteer, or agent who has any reason to believe that anyone is engaging in false billing practices or false documentation of services is expected to report the practice according to SCFU’s Reporting of Compliance Concerns in the SCFU Corporate Compliance Plan. Any retaliation against any employee who reports a concern in good faith is strictly prohibited.
- D. The Compliance Department in conjunction with the Human Resources Department will ensure that all employees and agents receive training related to the False Claims Act and this Policy. The training will be provided to all new employees as part of the new employee orientation.
- E. The Compliance Officer will assure that this policy and procedure is attached to any contract with outside contractors or agents and is communicated to vendors.

## **III. Procedures for Detecting, Investigating, and Reporting Complaints**

- A. When complaints of fraud, abuse, waste, or non-compliance are reported, the Agency shall follow the outlined procedures as described below:
  - 1. The Compliance Officer and the Executive Director will discuss and determine if an investigation is warranted. If so, a full investigation shall be assigned to the Compliance Officer or Designee, or Human Resources Director, or Designee.
  - 2. The investigation may include, but is not limited to, the following:
    - a. Interviews with individuals and staff having knowledge of the alleged facts;
    - b. A review of documents; and
    - c. Legal research and contact with governmental agencies for clarification purposes.

3. The Compliance Officer and the Executive Director will ensure that incidents that occur externally that warrant being reported to the police or other governmental authorities, will be reported to such authorities in accordance with program guidelines and all applicable laws.
4. If the Compliance Officer and or the Executive Director determines, after investigation, that non-compliant conduct has occurred, corrective action up to and including disciplinary action will be taken. If an investigation reveals a violation of law or contract, SCFU will promptly report the violation or non-compliance to the appropriate governmental authorities, as deemed appropriate in accordance with all applicable laws and regulations.

Final Approval Date	Signature	Title
3/20/2019		Executive Director

Policy Revisions:

Date	Author	Revision/Update
2/2019	Dina Hardy	Update to new template, revised info

## **Policy and Procedure: False Claims Act**

### **Appendix A**

#### **Overview of Relevant Laws:**

##### **The False Claims Act (31 U.S.C. §§ 3729-3733)**

The False Claims Act is a Federal law designed to prevent and detect fraud, waste, and abuse in Federal health care programs, including Medicaid and Medicare. Under the False Claims Act, anyone who “knowingly” submits false claims to the Government is liable for damages up to three times the amount of the erroneous payment plus mandatory penalties of \$11,000 to \$22,000<sup>1</sup> for each false claim submitted.

The law was revised in 1986 to expand the definition of “knowingly” to include a person who:

- Has actual knowledge of falsity of information in the claim;
- Acts in deliberate ignorance of the truth or falsity of the information in the claim; and
- Acts in reckless disregard of the truth or falsity of the information in a claim.

False Claims suits can be brought against individuals and entities. The False Claims Act does not require proof of a specific intent to defraud the Government. Providers can be prosecuted for a wide variety of conduct that leads to the submission of a false claim.

Some examples include:

- Knowingly making false statements;
- Falsifying records;
- Submitting claims for services never performed or items never furnished;
- Double-billing for items or services;
- Using false records or statements to avoid paying the Government;
- Falsifying time records used to bill Medicaid; or
- Otherwise causing a false claim to be submitted.

#### **Whistleblower or “Qui Tam” Provisions**

In order to encourage individuals to come forward and report misconduct involving false claims, the False Claims Act contains a “Qui Tam” or whistleblower provision.

The Government, or an individual citizen acting on behalf of the Government, can bring actions under the False Claims Act. An individual citizen, referred to as a whistleblower or “Relator,” who has actual knowledge of allegedly false claims may file a lawsuit on behalf of the U.S. Government. If the lawsuit is successful, and provided certain legal requirements

---

<sup>1</sup> The penalties are updated regularly; the provider should refer to the Federal False Claims Act for current amounts.

are met, the whistleblower may receive an award ranging from 15% - 30% of the amount recovered.

### Employee Protections

The False Claims Act prohibits discrimination by SCFU against any employee for taking lawful actions under the False Claims Act. Any employee who is discharged, demoted, harassed, or otherwise discriminated against because of lawful acts by the employee in False Claims actions is entitled to all relief necessary to make the employee whole. Such relief may include reinstatement, double back pay, and compensation for any special damages, including litigation costs and reasonable attorney fees.

### **Administrative Remedies for False Claims (31 USC Chapter 38. §§3801-3812)**

This Federal statute allows for administrative recoveries by Federal agencies including the Department of Health and Human Services, which operates the Medicare and Medicaid Programs. The law prohibits the submission of a claim or written statement that the person knows or has reason to know is false, contains false information, or omits material information. The agency receiving the claim may impose a monetary penalty of up to \$5,500 per claim and damages of twice the amount of the original claim.

Unlike the False Claims Act, a violation of this law occurs when a false claim is submitted, not when it is paid. Also unlike the False Claims Act, the determination of whether a claim is false, and imposition of fines and penalties, is made by the administrative agency, and not by prosecution in the Federal court system.

### **New York State Laws**

#### A. Civil and Administrative Laws

#### New York State False Claims Act (State Finance Law §§187-194)

The New York State False Claims Act closely tracks the Federal False Claims Act. It imposes fines on individuals and entities that file false or fraudulent claims for payment from any state or local government, including health care programs such as Medicaid. The penalty for filing a false claim is \$6,000 - \$12,000<sup>2</sup> per claim and the recoverable damages are between two and three times the value of the amount falsely received. In addition, the false claim filer may be responsible for the government's legal fees.

The Government, or an individual citizen acting on behalf of the Government (a "Relator"), can bring actions under the New York State False Claims Act. If the suit eventually concludes with payments back to the government, the party who initiated the case can recover 15% - 30% of the proceeds, depending upon whether the government participated in the suit. The New York State False Claims Act prohibits discrimination against an employee for taking lawful actions in furtherance of an action under the Act. Any employee who is discharged, demoted, harassed, or otherwise discriminated against because of lawful acts by the employee in furtherance of an action under the False Claims Act is entitled to all relief necessary to make the employee whole.

---

<sup>2</sup> The penalties are updated regularly; the provider should refer to the Federal False Claims Act for current amounts.

### Social Service Law §145-b False Statements

It is a violation to knowingly obtain or attempt to obtain payment for items or services furnished under any Social Services program, including Medicaid, by use of a false statement, deliberate concealment, or other fraudulent scheme or device. The State or the local Social Services district may recover up to three times the amount of the incorrectly paid claim. In the case of non-monetary false statements, the local Social Service district or State may recover three times the amount incorrectly paid. In addition, the Department of Health may impose a civil penalty of up to \$2,000 per violation. If repeat violations occur within five years, a penalty up to \$7,500 may be imposed if they involve more serious violations of the Medicaid rules, billing for services not rendered, or providing excessive services.

### Social Service Law §145-c Sanctions

If any person applies for or receives public assistance, including Medicaid, by intentionally making a false or misleading statement, or intending to do so, the person's and the person's family needs are not taken into account for a period of six months to five years, depending upon the number of offenses.

## B. Criminal Laws

### Social Service Law §145 Penalties

Any person who submits false statements or deliberately conceals material information in order to receive public assistance, including Medicaid, is guilty of a misdemeanor.

### Social Service Law § 366-b, Penalties for Fraudulent Practices

Any person who, with intent to defraud, presents for payment any false or fraudulent claim for furnishing services or merchandise, knowingly submits false information for the purpose of obtaining Medicaid compensation greater than that to which he/she is legally entitled to, or knowingly submits false information in order to obtain authorization to provide items or services shall be guilty of a Class A misdemeanor.

Any person who obtains or attempts to obtain, for himself or others, medical assistance by means of a false statement, concealment of material facts, impersonation, or other fraudulent means is guilty of a Class A misdemeanor.

### Penal Law Article 155, Larceny

The crime of larceny applies to a person who, with intent to deprive another of property, obtains, takes, or withholds the property by means of a trick, embezzlement, false pretense, false promise, including a scheme to defraud, or other similar behavior. This law has been applied to Medicaid fraud cases.

### Penal Law Article 175, Written False Statements

There are four crimes in this Article that relate to filing false information or claims. Actions include falsifying business records, entering false information, omitting material

information, altering an agency's business records, or providing a written instrument (including a claim for payment) knowing that it contains false information. Depending upon the action and the intent, a person may be guilty of a Class A misdemeanor or a Class E felony.

#### Penal Law Article 176, Insurance Fraud

This Article applies to claims for insurance payment, including Medicaid or other health insurance. The six crimes in this Article involve intentionally filing a false insurance claim. Under this article, a person may be guilty of a felony for false claims in excess of \$1,000.

#### Penal Law Article 177, Health Care Fraud

This Article establishes the crime of Health Care Fraud. A person commits such a crime when, with the intent to defraud Medicaid (or other health plans, including non-governmental plans), he/she knowingly provides false information or omits material information for the purpose of requesting payment for a health care item or service and, as a result of the false information or omission, receives such a payment in an amount to which he/she is not entitled. Health Care Fraud is punished with fines and jail time based on the amount of payment inappropriately received due to the commission of the crime.

#### New York Labor Law §740

An employer may not take any retaliatory personnel action against an employee if the employee discloses information about the employer's policies, practices, or activities to a regulatory, law enforcement, or other similar agency or public official.

This law offers protection to an employee who:

- discloses, or threatens to disclose, to a supervisor or to a public body an activity, policy, or practice of the employer that is in violation of law, rule, or regulation that presents a substantial and specific danger to the public health or safety, or which constitutes health care fraud (knowingly filing, with intent to defraud, a claim for payment that intentionally has false information or omissions);
- provides information to, or testifies before, any public body conducting an investigation, hearing, or inquiry into any such violation of a law, rule, or regulation by the employer; or
- objects to, or refuses to participate in, any such activity, policy, or practice in violation of a law, rule, or regulation.

The employee's disclosure is protected under this law only if the employee first brought up the matter with a supervisor and gave the employer a reasonable opportunity to correct the alleged violation. The law allows employees who are the subject of a retaliatory action to bring a suit in state court for reinstatement to the same, or an equivalent position, any lost back wages and benefits and attorneys' fees. If the employer is a health care provider and the court finds that the employer's retaliatory action was in bad faith, it may impose a civil penalty of \$10,000 on the employer.

### New York Labor Law §741

Under this law, a health care employer may not take any retaliatory action against an employee if the employee discloses certain information about the employer's policies, practices, or activities to a regulatory, law enforcement, or other similar agency or public official. Protected disclosures are those that assert that, in good faith, the employee believes constitute improper quality of patient care.

The employee's disclosure is protected under this law only if the employee first brought up the matter with a supervisor and gave the employer a reasonable opportunity to correct the alleged violation, unless the danger is imminent to the public or patient and the employee believes in good faith that reporting to a supervisor would not result in corrective action. If the employer takes a retaliatory action against the employee, the employee may sue in state court for reinstatement to the same, or an equivalent position, any lost back wages and benefits and attorneys' fees. If the employer is a health care provider and the court finds that the employer's retaliatory action was in bad faith, it may impose a civil penalty of \$10,000 on the employer.





### **False Claims Act Policy Understanding and Acknowledgement:**

I have read and have been trained regarding the content, requirements, and expectations of the Federal and NYS False Claims Act Policy at Special Citizens Futures Unlimited, Inc. I have received a copy of the policy and agree to abide by the policy guidelines as a condition of my employment and my continuing employment Special Citizens Futures Unlimited, Inc.

I understand that if I have questions, at any time, regarding the False Claims Act Policy, I will consult with my immediate supervisor, the Compliance Officer or my Human Resources staff member.

Please read and review this Policy carefully to ensure that you understand the information provided in the policy before signing this document.

---

Employee Signature

---

Date

---

Employee Printed Name

