



# Department of Justice

**Jerry E. Martin**  
**United States Attorney**  
**MIDDLE DISTRICT OF TENNESSEE**

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**AMMED DIRECT, LLC, TO PAY \$18 MILLION**  
**TO SETTLE FALSE CLAIMS ACT ALLEGATIONS**

*Whistleblower Rewarded for Exposing Fraud*

AmMed Direct, LLC, has agreed to pay the United States and the State of Tennessee \$18 million to settle False Claims Act allegations, announced Jerry E. Martin, U.S. Attorney for the Middle District of Tennessee.

The settlement resolves claims by the United States and the State of Tennessee, first disclosed by a former AmMed employee whistleblower, that from September 2008 through January 2010 AmMed wrongly solicited Medicare beneficiaries and wrongly billed Medicare and other federal health care programs, including TRICARE, for diabetes testing supplies, heating pads and other products.

The United States asserted that AmMed engaged in a marketing scheme whereby AmMed advertised free cookbooks, without any mention of Medicare supplies, to induce Medicare beneficiaries to contact AmMed or its hired telemarketing firm. Once it was confirmed that a beneficiary calling for the free cookbook was covered by Medicare, AmMed representatives improperly attempted to sell them supplies and then improperly billed Medicare for those supplies.

Moreover, as a result of AmMed's marketing scheme, many Medicare beneficiaries who called AmMed to receive the advertised free cookbooks returned their diabetic supplies to AmMed. AmMed however, failed to timely refund the money to Medicare or TennCare and allowed the unpaid refunds to continue to accrue from September 2006 until January 2010. Prior to learning of the investigation by United States and the State of Tennessee, AmMed self-disclosed to Medicare its failure to refund monies for returned supplies, and began paying the refunds to Medicare and TennCare.

Pursuant to the settlement agreement to pay a total of \$18 million, AmMed agreed to pay \$17,560,997 to the United States and \$ 439,003 to the state of Tennessee.

The civil settlement resolves allegations contained in a whistleblower lawsuit filed in federal court in the Middle District of Tennessee under the *qui tam* provisions of the False Claims Act, which allow for citizens to bring civil actions on behalf of the United States and share in any recovery. As part of today's resolution, the whistleblower, Bryan McNeese, will receive payments totaling more than \$ 2.8 million.

"As reiterated by United States Attorney General Eric Holder on his recent visit to Nashville, enforcement of the False Claims Act remains a top priority of the Department of Justice and this office," said U.S. Attorney Jerry E. Martin. "Medicare rules clearly prevent medical businesses like AmMed from calling beneficiaries to sell them their products unless specific exceptions apply. These rules are necessary to protect our senior population from unsolicited and confusing sales messages from companies trying to foist unneeded medical supplies on the beneficiaries and then sticking the taxpayers with the tab. Our message to corporations and individuals who bill Medicare and Medicaid should be clear. The U.S. Attorney's Office for the Middle District of Tennessee will continue to devote the resources necessary to vigorously protect taxpayers' interests and aggressively pursue fraud and abuse."

"This company deceived Medicare beneficiaries by offering them free cookbooks, when they were really selling diabetic supplies," said Derrick L. Jackson, Special Agent in Charge of the U.S. Department of Health and Human Services- Office of Inspector General in Atlanta. "These types of deceptive marketing practices are a type of 'bait and switch' that are designed to trick the most vulnerable members of our society. This is conduct the Government will not tolerate."

"The Defense Criminal Investigative Service is committed to ensuring that TRICARE, the U.S. military health care program, continues to provide safe and superior medical care to America's Warfighters and their families, while ensuring that health care facilities and providers comply with applicable laws and regulations," said John F. Khin, Special Agent in Charge, Defense Criminal Investigative Service- Southeast Field Office. "The successful resolution of this case demonstrates the effectiveness of joint investigations to combat health care fraud and preserve the integrity of this vital program."

Mark Gwyn, the Director of the Tennessee Bureau of Investigation, which houses the state's Medicaid Fraud Control Unit, said of the agreement, "I commend those private individuals who come forward to expose improper actions by those who attempt to defraud TennCare and other government healthcare programs. Fraudulent billing of all types will not be tolerated, and the TBI is committed to investigating fraud by all types of TennCare providers."

"We are grateful for the hard work and cooperation of our state and federal agencies in this case," Attorney General Bob Cooper said. "Working to stop healthcare fraud is a major priority for all of us because ultimately everyone pays for this kind of theft."

The case was investigated by the Department of Health and Human Services- Office of Inspector General, the Tennessee Bureau of Investigation- Medicaid Fraud Control Unit, **the Office of Inspector General of the U.S. Department of Defense**, the U.S. Attorney's Office for the Middle District of Tennessee and the Tennessee Attorney General's Office. Assistant U.S. Attorney Lisa Rivera and United States Department of Justice attorney Christopher Wilson represented the United States.

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