

Addendum – Part B

Department of Justice

1. Quest Diagnostics Settlement

Late May Revision Request. The Administration has requested that budget bill be added for the transfer of \$20.0 million from the False Claims Act Fund to the General Fund, leaving \$4.7 million of DOJ's share of the settlement in the False Claims Act Fund. This action ensures that the False Claims Act Fund is left with a reserve balance sufficient to support the Department of Justice's continued enforcement and prosecution activities relating to Medi-Cal Fraud.

Background. The California Attorney General's Office and the California Department of Health Care Services reached a \$241 million settlement - the largest recovery in the history of California's False Claims Act - with Quest Diagnostics, the state's biggest provider of medical laboratory testing, to recover illegal overcharges to the state's medical program for the poor.

The Quest case has been under investigation and litigation for six years after a whistleblower alleged claims that the Quest group of medical laboratories overcharged Medi-Cal for testing services and gave kickbacks in the form of low prices to other purchasers of medical tests in return for referrals of higher paying Med-Cal business.

The settlement provides for Quest to pay California \$241 million in settlement of claims that Quest overcharged Medi-Cal for testing services and gave kickbacks.

Similar cases are still pending against four other defendants, including Laboratory Corporation of America, commonly known as LabCorp, the second largest medical laboratory service provider in California. Trial is scheduled for early next year.

Staff Recommendation. Staff recommends that the Subcommittee approve budget bill language to facilitate this transfer.