
Recoveries by U.S. From Civil Fraud Surged in Fiscal '94

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WASHINGTON — U.S. recoveries from civil fraud settlements and judgments almost tripled in fiscal 1994 to \$1.09 billion, largely because of a health-care fraud settlement and an increase in the amount the government recovered in suits brought by the public.

The Justice Department, which made the announcement, said the largest single recovery was a \$324 million settlement with **National Medical Enterprises Inc.**, Santa Monica, Calif. The company's chain of psychiatric hospitals allegedly overcharged Medicare, Medicaid and other federal health programs.

The National Medical settlement, the largest civil fraud agreement ever at the Justice Department, accounted for most of the \$411 million recovered from health-care contractors. Defense contractors accounted for \$578 million of the total, and represented the largest amount from any industry.

Frank W. Hunger, the assistant attorney general for the Justice Department's civil division, said the increase in recoveries was "the culmination of many months of aggressive investigations and prosecutions." The previous record, \$370 million, was set in the fiscal year ended Sept. 30, 1993.

Still, cases filed by private citizens accounted for \$378 million of the total, or

more than one-third of the government's take. That is more than double the 1993 amount, which Mr. Hunger said reflects the public's greater use of bringing cases under the False Claims Act.

Under the statute, a worker can force a government investigation of a company the person suspects of wrongdoing. The statute also holds that the whistleblower is entitled to between 15% and 30% of any government recovery.

A 1986 amendment to the law has made it easier for citizens to bring suit under the statute, but Mr. Hunger said that fiscal 1994's increase in recoveries from these cases reflects greater awareness of the law. "People are finding out that they can

use this statute and more people are coming forward," he said.

Meanwhile, the incidence of detected tax-refund fraud doubled this year, with the Internal Revenue Service identifying twice as many fraudulent claims through the first six months of 1994 as it did in the year-ago period, the General Accounting Office said.

While the GAO didn't give a dollar amount, the Treasury Department told Congress last week that tax-refund fraud is costing the U.S. between \$1 billion and \$5 billion a year. It held out promise of significant progress against refund fraud in the coming 1995 tax-filing season, but some lawmakers were skeptical.
