

# WEISS



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Broke and facing prison, wound graft fraudsters now have skin in the game.

That was the subject of Monday's blog post, **How to Almost Make Half a Billion Dollars: The Arizona Wound Graft Fraud**. You can follow the link to read the post online, or just keep reading.

Some people dream of making half a billion dollars. Others just bill Medicare until the government notices.

Welcome to the story of Alexandra Gehrke and her husband, Jeffrey King, a Phoenix power couple who turned wound care into a high-stakes con, fraudulently billing Medicare and other health insurance programs over \$1.2 billion and collecting close to \$615,000,000.

## **The Hustle: Wounds, Grafts, and Kickbacks**

If you thought health care fraud required medical knowledge, think again. Neither Gehrke nor King had any medical training, but they sure knew how to work the system.

Gehrke ran two companies—Apex Medical LLC and Viking Medical Consultants LLC—that recruited “sales representatives” to locate elderly patients with any kind of wound. The goal? Order expensive amniotic wound grafts, whether or not they were necessary, from a specific, kickback-paying distributor.

Gehrke dictated that all grafts had to be 4x6 cm or larger because Medicare and other payors reimburse based on wound graft size, and maximizing billable centimeters meant maximizing illegal profits.

Gehrke referred the patients to a company co-owned by her husband, King, which contracted with nurse practitioners. Gehrke and King directed the nurse practitioners to suspend their own medical judgment and apply all grafts ordered by the sales representatives, even when medically unreasonable and unnecessary. Healed wound? Graft it anyway. Infected wound? Throw a graft on top. Wound not responding? Keep slapping grafts on.

Gehrke pocketed over \$279 million in kickbacks from the graft distributor and spread tens of millions of dollars in illegal kickbacks to her “sales team” to keep the scheme rolling.

### **The Bottom Line is Rock Bottom**

Both Gehrke and King pleaded guilty and agreed to pay restitution totaling more than \$1.2 billion. They also agreed to collectively forfeit over \$410 million in funds they obtained from the fraud.

But that’s not all. They each face a maximum penalty of 20 years in federal prison.

### **Lessons from the Scam**

Whether or not can tell the difference between a wound graft and a walker, the general lessons of Gehrke and King’s fraud and downfall are applicable.

**1. Seems simple, but kickbacks are illegal.** It’s a simple rule, but one that fraudsters keep forgetting. Seemingly “innocent” physicians and other practitioners often get swept up in the scam by not questioning why someone other than the payor is paying them or giving them something of value. (Would a pharmacy really “loan” you a Porsche?)

**2. Just because a medical procedure is billable doesn’t mean it’s ethical**—or legal. When wound care starts looking like a Wall Street hedge fund strategy, something’s off. But it doesn’t have to be wound care, and it doesn’t have to be you who’s doing it. For example, many a physician has been caught up in a scam run by his or her employees within the practice. The money didn’t hit your pocket, but the claims went out under your name. Facility-based practitioners aren’t exempt. For

example, anesthesiologists have become embroiled in fraudulent billing scams as a result of medically unnecessary cases being performed by scamster surgeons at ASCs. In other cases, the cases were never actually performed, but they were billed, including under the anesthesiologist's name.

**3.The government is watching.** With health care fraud investigations ramping up, the feds are cracking down. If you think you can sneak \$1.2 billion past Medicare, think again.

**4.Employees will talk.** These scams often unravel because someone on the inside decides they'd rather be a whistleblower than an accomplice.

**5.Medicare might be a retirement plan, but Medicare fraud isn't.** Shortcuts to healthcare wealth can lead straight to a jail cell. Compliance isn't optional, and the government always gets the last word.

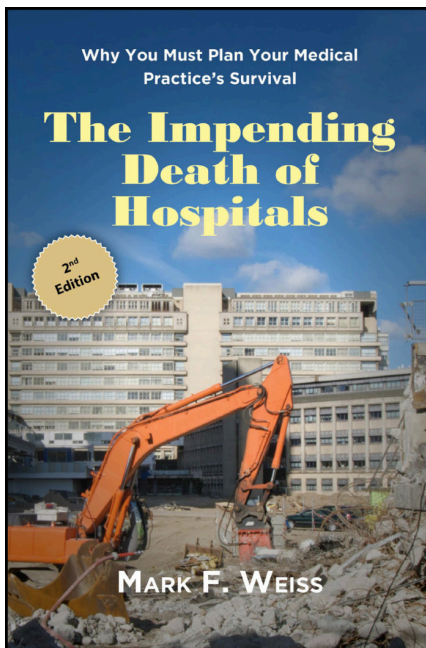


### **UPCOMING PRESENTATION:**

**Structuring Medical Group Governance as part of Entrepreneurship & Networking in Healthcare II** presented by **SoMeDocs**. Join us virtually October 20 through 25.

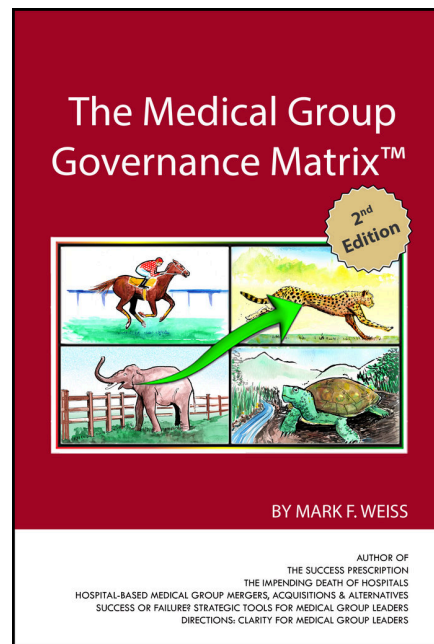
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