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Off to Prison. An Update on How to Almost Make Half a Billion Dollars: The Arizona Wound Graft Fraud

Now that they've been sentenced to prison, I can reveal the fate of the healthcare power couple, Alexandra Gehrke and her husband, Jeffrey King, whose wound care graft graft put close to \$615,000,000 in their pockets, albeit temporarily.

Originally the subject of my February 2025 post, 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 4×6 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.

Following their guilty plea, Gehrke was sentenced to 15.5 years in prison and her husband, King, to 14 years.

As additional punishment, Gehrke was ordered to pay \$614,945,420 in restitution and to forfeit \$279,912,916 in fraudulent proceeds, and King was ordered to pay \$605,690,110 in restitution and to forfeit \$130,813,658 in fraudulent proceeds.

And, as if that weren't enough, in a companion civil case, Gehrke and the wound graft marketing company she owned, Apex Medical LLC, agreed to pay \$279,912,916, and King agreed to pay \$30 million related to their respective civil liability under the False Claims Act.

To satisfy your schadenfreude, that totals more than \$1.94 billion.

To amplify your anger, the response of the federal government, CMS in particular, to the spate of wound care fraud that ensued over the last decade, was that, beginning in January, graft material will be removed from treatment as a higher priced biological, reimbursed by Medicare at many thousands of dollars, into a single blended rate of less than \$130.

And, to keep yourself out of trouble, whether or not you 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.
- 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.



Your Weekly Dose of Schadenfreude: Pink Slipped

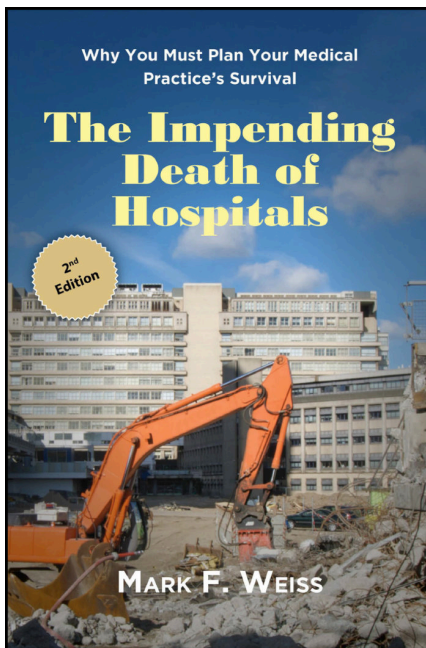


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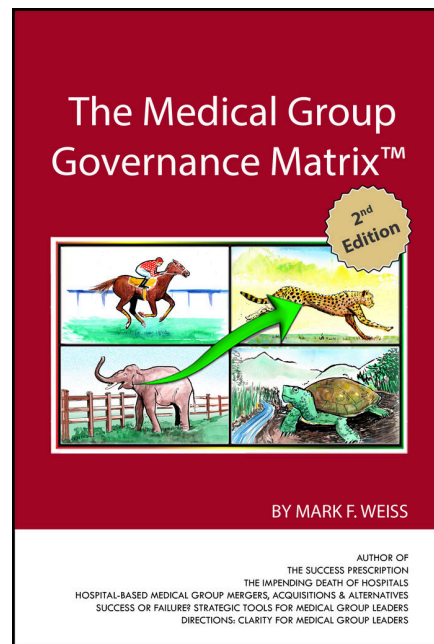
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