

## **St. Jude Medical to pay \$3.7 million to settle federal kickbacks beef**

Mass Device

St. Jude Medical Inc. (NYSE:STJ) and a pair of hospitals in the Midwest agreed to pony up \$4 million to settle a federal lawsuit accusing the device maker of providing illegal rebates to the healthcare providers.

Whistleblower Jerry Hudson sued the Minneapolis-based firm in 2006 in the U.S. District Court for Northern Ohio, accusing the company of instituting kickback schemes to increase business from doctors and hospitals, according to court documents. A regional sales manager from February 2004 to September 2005, when he was fired, Hudson accused St. Jude of terminating him because of his objections to the alleged schemes.

The lawsuit alleges that the company regularly offered to support research in exchange for regaining accounts it had lost or for winning new business, making offers to the Cleveland Clinic and University Hospitals of Cleveland in exchange for increased pacemaker and implantable cardiac defibrillator buys. Company sales reps were expected to subsidize the research via reductions to their sales commissions. St. Jude also allegedly tried to influence individual physicians with consulting offers for "advising and consulting" and letting STJ sales reps view surgeries.

In one case, University Hospitals agreed to make a \$900,000 purchase "in exchange for the placement of [cardiac mapping] research equipment, according to the lawsuit. UH also allegedly took part in "back-end" rebate plans that gave discounts on previously purchased devices and/or for commitments to large buys. In March 2005, the hospital allegedly took in \$14,475 in back-end rebates for devices it bought during the fourth quarter of 2004.

St. Jude also tried to "drive increased CRM units" with the Cleveland Clinic, pushing the provider to commit to implanting one ICD a day, the lawsuit alleged. In another alleged ploy, St. Jude propsoed a "rapid rebate" to the Cleveland Clinic Foundation, offering a 3 percent rebate on minimum-quantity orders from the previous quarter and an additional rebate for implanting devices from that order in the current quarter. In 2005, the CCF took in \$186,000 in incentives from St. Jude, according to court documents.

If customers refused to commit to the alleged schemes, St. Jude threatened to remove the donated research equipment, according to the lawsuit.

Parma Community General Hospital, which [agreed to pay \\$40,000](#) [1] for its part in the case, agreed to a rapid rebate program that earned it \$400 per ICD if the device was implanted within 60 days of ordering and if the hospital agreed to make

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another bulk order before the end of the quarter. Norton Healthcare of Louisville, Ky., agreed to a \$133,300 settlement for its role in the alleged schemes.

Hudson accused the company of firing him after he objected to the alleged practices. His share of the settlement of the so-called "qui tam" whistleblower suit amounts to \$640,050, according to a U.S. Dept. of Justice press release. In May, the DOJ

It's not the first legal trouble for St. Jude. In May, [the DOJ demanded documents about its implantable cardiac defibrillator business](#) [2], according to a regulatory filing. The "civil investigative demand" sought documents and "sets forth interrogatories" about "various indications for ICDs and a National Coverage Decision issued by Centers for Medicare and Medicaid Services," according to the filing. St. Jude said at the time that it believed its major competitors were served with similar demands and that it's cooperating with the investigation.

And [the Food & Drug Administration warned the company last month](#) [3], citing the device maker for improperly promoting its Epicor cardiac ablation catheter system.

[SOURCE](#) [4]

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[1] <http://www.prnewswire.com/news-releases/heart-device-manufacturer-in-minnesota-and-hospitals-in-ohio--kentucky-to-pay-nearly-4-million-to-resolve-fraud-allegations-95613769.html>

[2] <http://www.massdevice.com/node/6303>

[3] <http://www.massdevice.com/node/6395>

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