

Health Net Launches Broad Fraud Investigation Against California Drug Treatment Providers



[Health Net](#), one of the largest health insurers in California,

has launched an anti-fraud investigation against numerous Southern California drug treatment providers. Beginning last week, many Southern California residential treatment and outpatient providers of addiction treatment services received letters from Matthew Ciganek, Director of Health Net's Special Investigation Unit (SIU) requesting sworn responses to questions regarding possible fraud and abuse. Health Net's inquiry seeks information concerning (i) the procurement of insurance policies for individuals who do not reside in Southern California; (ii) the failure to collect deductibles, copayment, and coinsurance from residents as required by insurance policies; (iii) the charging of inconsistent rates to different payors for drug treatment services; (iv) the payment of kickbacks in marketing to induce the referral of drug rehab patients; and (v) the lack of medical necessity.

The investigation appears to stem from a range of alleged anti-kickback violations, including claims that some drug treatment programs assisted inappropriate patients in obtaining insurance in order to pay for their services, ignoring patient financial responsibility in the process. Concurrent with the letters, Health Net has suspended payments to numerous treatment providers and has provided information to the California Department of Insurance leading to the suspension of licenses for certain insurance brokers. While the Health Net investigation is unusual in its breadth, it follows months of increasing rates of audits and investigations of drug rehabs by other insurers. With rising levels of enforcement activity, California drug treatment providers need to pay careful attention to compliance requirements.

For more information/questions regarding any legal matters, please email info@nelsonhardiman.com or call 310.203.2800.