

Serial whistleblower strikes again: Oroville Hospital to pay \$10.25 million to settle FCA lawsuit

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The small Northern California town of Oroville is most commonly known for having the tallest dam in the United States, which narrowly avoided disaster when its spillway failed in 2017. However, Oroville Hospital, the only hospital serving the 20,000 Oroville residents, turned the spotlight back on the small town when it recently agreed to pay \$10.25 million to settle (<https://bit.ly/3DVNApD>) False Claims Act (FCA) lawsuits with the U.S. Department of Justice (DOJ).

The lawsuits, brought by relators in the Eastern District of California, alleged Oroville Hospital knowingly submitted false claims to Medicare and Medi-Cal and engaged in an illegal kickback and physician self-referral scheme.

Oroville Hospital allegedly submitted claims to Medicare and Medi-Cal knowing the claims included a fabricated secondary diagnosis code, allowing the hospital to claim excessive reimbursement for illusory “treatment.”

The lawsuits began when serial whistleblower Cecilia Guardioli, acting as a relator, filed a lawsuit against Oroville Hospital in August 2020. A registered nurse and law-school graduate, Guardioli has filed no less than three actions as a relator under the FCA before her Oroville Hospital complaint, resulting in payments of \$6 million in total to her personally. As part of the Oroville Hospital settlement, Guardioli will add approximately \$1.7 million to her personal tally.

In the settlement (<https://bit.ly/4hfv4qB>), DOJ contends Oroville Hospital’s actions between January 2013 and July 2023

violated the FCA. Oroville Hospital allegedly submitted claims to Medicare and Medi-Cal knowing the claims included a fabricated secondary diagnosis code, allowing the hospital to claim excessive reimbursement for illusory “treatment.”

Oroville Hospital allegedly schemed to increase the number of individuals admitted for inpatient treatment when observation status or outpatient care was instead appropriate. The government alleged that this inpatient care was medically unnecessary and unreasonable.

Oroville Hospital allegedly induced physicians to improperly admit individuals for inpatient treatment by increasing physician bonuses based on the number of individuals admitted. Oroville Hospital then submitted these claims to Medicare and Medi-Cal, providing the hospital with excessive reimbursement.

DOJ also contends Oroville Hospital submitted claims to Medicare and Medi-Cal resulting from violations of the Anti-Kickback Statute (AKS) and Physician Self-Referral law (commonly referred to as the Stark Law).

Oroville Hospital allegedly induced hospitalists and physicians who contracted with the hospital to refer individuals for inpatient treatment by paying the hospitalists and physicians improper financial remuneration, in violation of the AKS. Oroville Hospital’s payment to the contract hospitalists and physicians for the referral of Medicare beneficiaries, for both inpatient and outpatient treatment, allegedly violated the Stark Law.

Following the settlement, Oroville Hospital entered into a Corporate Integrity Agreement with the U.S. Department of Health and Human Services Office of Inspector General. The five-year agreement will require Oroville Hospital to implement a risk assessment and internal review process designed to identify and address evolving compliance risks, as well as require independent review of its claims and referral policies.

About the author



Meredith Osborn, a San Francisco-based partner with **Arnold & Porter**, is a litigator and trial lawyer with extensive civil and criminal litigation experience. During her career, including as chief trial deputy at the City Attorney's Office for San Francisco, she has served as first chair in four jury trials and one bench trial as a prosecutor and defense counsel, tried seven cases in state and federal court, written 30 appellate briefs, and argued 13 cases before the 9th U.S. Circuit Court of Appeals. She can be reached at meredith.osborn@arnoldporter.com. Osborn would like to thank associate Anthony Lindsey for contributing to this article, which was originally published Dec. 23, 2024, on the firm's website. Republished with permission.

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