

Chief Compliance Officer Convicted in a \$50 Million Medicare Fraud Case

[Richard P. Kusserow](#) | June 2023

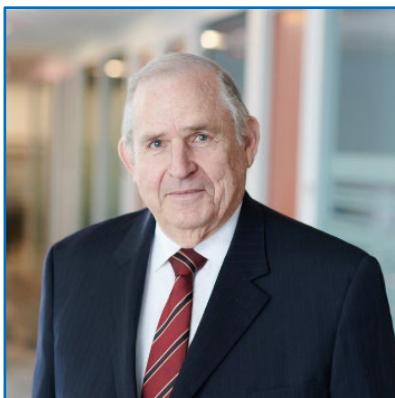
Key Points:

- **“The Chief Compliance Officer was in a unique position to prevent and report the fraud”**
- **In a separate case, the court rules personal liability could extend to Compliance Officers**

[A federal jury convicted Steven King, the Chief Compliance Officer](#) for a pharmacy holding company, for fraudulently billing Medicare over \$50 million for dispensing lidocaine and diabetic testing supplies that Medicare beneficiaries did not need or want. King and his co-conspirators operated A1C Holdings LLC, which held pharmacies in various states. When A1C secured prescriptions and refills on behalf of its pharmacies for medically unnecessary lidocaine and diabetic testing supplies, it violated Medicare and pharmacy benefit manager rules. King and his co-conspirators took several steps to conceal their scheme, including enrolling their mail-order pharmacies as brick-and-mortar retail locations to evade more rigorous oversight, shipping prescription refills for high-reimbursing medications and supplies without patient consent, concealing the ownership of A1C Holdings LLC and its pharmacies, and transferring patients among pharmacies without patient consent. They took these steps to ensure that Medicare continued to be billed for profitable medications and supplies. As the chief compliance officer, King was in a unique position to prevent and report the fraudulent scheme, but he used his position to defraud Medicare instead. A federal district court judge will determine King’s sentence after considering the U.S. Sentencing Guidelines and other statutory factors. King currently faces 20 years in prison.

For Compliance Officers, the DOJ message is clear that they are in a unique position to prevent and report fraudulent activities; and the failure to do so places them at personal risk, whether they were part of any scheme. Noteworthy and consistent with this position is a recent Delaware Case ([McDonald's Corporation Stockholder Derivative Litigation](#)), where the court extended this duty of oversight to corporate officers within their area of expertise, who could face liability for failing to properly oversee the organization's affairs and ignoring "red flags" within their "areas of responsibility." That ruling is consistent with the September 2022 Memo from Deputy Attorney General Lisa Monaco and significantly increases Compliance Officer responsibilities and exposure to personal liability since they have responsibilities for ensuring the organization operates in a compliant manner.

Keep up-to-date with Strategic Management Services by following us on [LinkedIn](#).



About the Author

Richard P. Kusserow established Strategic Management Services, LLC, after retiring from being the DHHS Inspector General, and has assisted over 2,000 health care organizations and entities in developing, implementing and assessing compliance programs.