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Overseer Finds Kickback Plan at University

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TRENTON, Nov. 13 — Nearly a year after avoiding prosecution for Medicaid fraud by consenting to have a federal monitor investigate its finances, the University of Medicine and Dentistry of New Jersey is engaging in “illegal activity” that “persists to this day,” according to a report from the monitor released on Monday.

The report also accused the university’s interim president, Bruce C. Vladeck, who was appointed by Gov. Jon S. Corzine in the spring to restore credibility, of “trying to refute, rebut and bury” information about violations of anti-kickback laws. It was the first time that the federal monitor, Herbert J. Stern, had directly criticized Mr. Vladeck.

The report charged that university officials at “all levels” were “complicit” in concocting an illegal plan to pay 18 cardiologists nearly \$6 million, starting in 2002, to refer their patients to the university’s hospital, in violation of federal law. Though school officials were warned on Sept. 25 by their own consultant that such practices could be illegal, they did not report it to Mr. Stern, as required under the deferred-prosecution agreement that they signed in December 2005 to avoid criminal charges, according to the report.

The cardiology kickback scheme led to \$36 million in illegal Medicare and Medicaid payments that the school may have to repay, along with \$43 million in potential fines and penalties, the report said. The doctors who participated in the plan could face lawsuits, the loss of their medical licenses and even federal criminal charges, though one interviewed on Monday denied all the allegations in the report and said he had fulfilled his responsibilities at the university.

For more than a year, the university, which is the state’s medical school, has been battered by an onslaught of bad news, both in print and in official investigations, suggesting that it was home to tens of millions of dollars of Medicaid fraud, wasteful spending and no-bid contracts awarded to vendors with ties to elected officials or former university trustees. The United States attorney, Christopher J. Christie, also threatened to prosecute the school.

In his report on Monday, Mr. Stern, a former judge and United States attorney, focused on how the university had been anxious in 2002 and 2003 about the prospect of losing its license to

perform heart operations at University Hospital unless its cardiac surgeons conducted such procedures with more regularity.

In the report, Mr. Stern said he was particularly disturbing that Dr. Vladeck, an experienced health administrator, appeared to have misled investigators and downplayed allegations of wrongdoing found in the university consultant's report in September. Rather than being told of the consultant's report, Mr. Stern said, he learned of the cardiology scheme by reading about it in a legal publication about a settlement in a related whistleblower's lawsuit.

When asked about the monitor's report, Anna Farneski, a spokeswoman for the school, issued an unusually long statement by e-mail that was both apologetic and defensive.

"We have made it the clear and unvarying policy of the new administration at U.M.D.N.J. to cooperate with the monitor's office in full compliance with both the letter and the spirit of the deferred-prosecution agreement, and in that regard, we were particularly dismayed by the monitor's assertion that we had not been in compliance relative to this issue," she said in the statement.

In discussing the whistleblower's settlement, Ms. Farneski said that "there was no affirmative effort to conceal the substance." As for the report by the consultant, the accounting and consulting firm J. H. Cohn, Ms. Farneski said it "has serious methodological flaws."

Still, she said that "we are truly apologetic for any misunderstanding or miscommunication between anyone at U.M.D.N.J. and the monitor's office that may have occurred. We are happy to recommend to the board of trustees that it adopt all of the recommendations in the monitor's report to strengthen adherence to the deferred-prosecution agreement."

Mr. Corzine, meanwhile, offered a qualified defense of Dr. Vladeck. "Do I believe that this is a problem, paying people for no-show jobs who refer patients to a hospital?" the governor said when asked about the monitor's report after an event at the State House. "Yes, I think it's absurd and completely without any merit. Do I believe that Bruce Vladeck was authorizing that to continue? No I don't."

Still, Mr. Corzine also summed up the sentiments of many lawmakers on Monday when he put the latest trouble to befall the school in context: "There are enough major breakdowns in control and governance that existed at U.M.D.N.J. pre-2006 that not much would surprise me at this stage."

In the report on Monday, Mr. Stern wrote that school officials, "feverishly bent" on increasing

the number of procedures, came up with a plan to hire cardiologists for no-show jobs as clinical associate professors, paying them \$150,000 a year or more to do nothing but refer their own patients to the hospital. Many of the cardiologists either had never used the hospital before, the report said, or had complained about its facilities and staff.

Some of these allegations first came to light in an article in The New Jersey Law Journal about a settlement in June between the university and Dr. Rohit Arora, the former chief of the school's cardiology division. In all, the cardiologists were reported to have received \$5.7 million.

But on Monday, one of those cardiologists, Dr. Jasjit S. Walla, said in an interview that the report's allegations were untrue, and that he remains actively involved in a wide variety of teaching work at the university and was on-call at its hospital 90 days a year.

"I kept my end of the bargain," said Dr. Walla, himself a graduate of the university. "What's hurting is our name is being dragged through the mud, and my patients are doubting my abilities. I'm hoping for a good investigation so everything comes out."

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