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Department of Justice

U.S. Attorney's Office

District of Massachusetts

FOR IMMEDIATE RELEASE

Monday, November 8, 2021

## Arthrex Agrees to Pay \$16 Million to Resolve Kickback Allegations

BOSTON – Arthrex Inc. (Arthrex), a Florida-based orthopedic device company, has agreed to pay \$16 million to resolve allegations that it violated the False Claims Act (FCA) by paying kickbacks to a physician to induce the physician's use and recommendation of Arthrex products, thereby causing the submission of false claims to the federal government for orthopedic procedures.

The settlement resolves allegations that Arthrex paid a Colorado-based orthopedic surgeon millions of dollars under the guise of royalty payments. While Arthrex's agreement with the surgeon purported to compensate the surgeon for contributing to the development of certain orthopedic products, the government contends that Arthrex made the payments to induce the surgeon's use and recommendation of Arthrex products. As a result, the government alleges that Arthrex violated the Anti-Kickback Statute and, in turn, the FCA.

"Paying bribes to physicians to distort their medical decision-making corrupts the health care system," said Acting United States Attorney Nathaniel R. Mendell. "This settlement demonstrates our dedication to ensuring that taxpayers and patients get a health care system that is on the level. Kickbacks have no place anywhere in our health care system, and we will continue to identify and punish this illegal conduct."

"The Department of Justice will continue to pursue medical device manufacturers that pay kickbacks to

boost their profits,” said Acting Assistant Attorney General Brian M. Boynton for the Justice Department’s Civil Division. “Such arrangements can improperly influence physicians’ decision-making and result in the misuse of critical federal health care program funds.”

“Medical device manufacturers who engage in such kickback schemes undermine the integrity of federal health care programs,” said Special Agent in Charge Phillip M. Coyne of the Department of Health and Human Services Office of Inspector General (HHS-OIG). “Working closely with our law enforcement partners, our agency will continue to protect patients and taxpayers by holding accountable companies that engage in unlawful activities.”

“Arthrex may have believed it could increase profits by paying millions of dollars in kickbacks to a physician, under the guise of royalty payments, to increase the use of its products. But today’s \$16 million settlement makes it clear that its unscrupulous scheme backfired,” said Joseph R. Bonavolonta, Special Agent in Charge of the Federal Bureau of Investigation, Boston Division. “Anyone involved in, or entertaining, similar activity should know that health care fraud is a priority for the FBI, and we will pursue anyone trying to misuse this country’s vital health care system.”

Under the terms of the settlement agreement, Arthrex will pay the government \$16 million. In connection with the settlement, Arthrex entered into a five-year corporate integrity agreement with HHS-OIG, setting forth requirements for future compliance.

The settlement resolves allegations originally brought in a lawsuit filed by a whistleblower under the qui tam provisions of the False Claims Act, which allow private parties, known as relators, to bring suit on behalf of the government and to share in any recovery. The lawsuit was filed in the U.S. District Court for the District of Massachusetts and is captioned United States ex rel. Shea v. Arthrex Inc., et al., No. 20-cv-10210-ADB (D. Mass.). Under the FCA’s qui tam provisions, a private party can file an action on behalf of the United States and receive a portion of any recovery. In this case, the relator will receive 15.625 percent.

Acting U.S. Attorney Mendell, Acting AAG Boynton, HHS-OIG SAC Coyne, and FBI SAC Bonavolonta made the announcement. Assistant U.S. Attorneys David J. Derusha and Charles B. Weinograd of Mendell’s Affirmative Civil Enforcement Unit and Trial Attorney Andrew Jaco of the Justice Department’s Civil Division handled the matter.

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**Attachment(s):**

[Download Arthrex Settlement Agreement.pdf](#)

**Topic(s):**

Health Care Fraud

**Component(s):**

[USAO - Massachusetts](#)

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