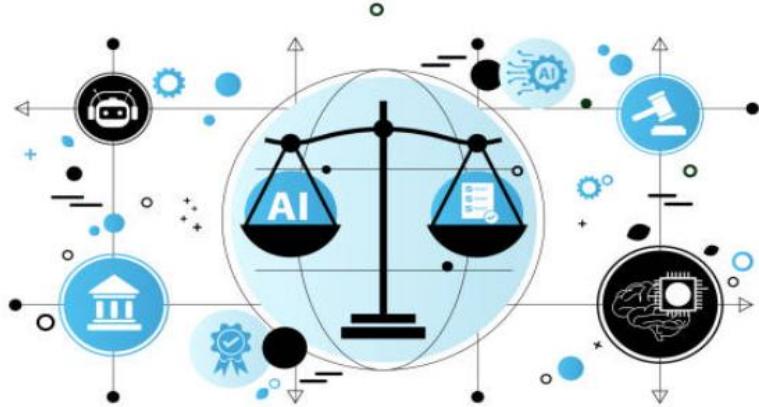


COMPLIANCE CONNECTION

Newsletter
FEBRUARY 2026



This newsletter is prepared monthly by the Midland Health Compliance Department and is intended to provide relevant compliance issues and hot topics.

IN THIS ISSUE

Feature Article:

Wound Graft Company Owners Sentenced for \$1.2B Health Care Fraud and Agree to Pay \$309M to Resolve Civil Liability Under the False Claims Act

**Midland Health PolicyTech: Policy #2932
HIPAA Section 10.3: Physical Safeguards**

FRAUD & ABUSE LAWS

The five most important Federal Fraud and Abuse Laws that apply to physicians are:

1. False Claims Act (FCA): The civil FCA protects the Government from being overcharged or sold shoddy goods or services. It is illegal to submit claims for payment to Medicare or Medicaid that you know or should know are false or fraudulent.

2. Anti-Kickback Statute (AKS): The AKS is a criminal law that prohibits the knowing and willful payment of "remuneration" to induce or reward patient referrals or the generation of business involving any item or service payable by the Federal health care programs (e.g., drugs, supplies, or health care services for Medicare or Medicaid patients).

3. Physician Self-Referral Law (Stark law): The Physician Self-Referral Law, commonly referred to as the Stark law, prohibits physicians from referring patients to receive "designated health services" payable by Medicare or Medicaid from entities with which the physician or an immediate family member has a financial relationship, unless an exception applies.

4. Exclusion Statute: OIG is legally required to exclude from participation in all Federal health care programs individuals and entities convicted of the following types of criminal offenses: (1) Medicare or Medicaid fraud; (2) patient abuse or neglect; (3) felony convictions for other health-care-related fraud, theft, or other financial misconduct; and (4) felony convictions for unlawful manufacture, distribution, prescription, or dispensing of controlled substances.

5. Civil Monetary Penalties Law (CMPL): OIG may seek civil monetary penalties and sometimes exclusion for a wide variety of conduct and is authorized to seek different amounts of penalties and assessments based on the type of violation at issue. Penalties range from \$10,000 to \$50,000 per violation.

Resource:

<https://oig.hhs.gov/compliance/physician-education/fraud-abuse-laws/>



MIDLAND HEALTH

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Wound Graft Company Owners Sentenced for \$1.2B Health Care Fraud and Agree to Pay \$309M to Resolve Civil Liability Under the False Claims Act

In the first prosecution of its kind, the owners of several Arizona wound graft companies were sentenced to significant terms of incarceration for causing over \$1.2 billion of false and fraudulent claims to be submitted to Medicare and other health insurance programs for medically unnecessary wound grafts that were ordered as a result of illegal kickbacks and applied to elderly and terminally ill patients. On Oct. 7 Alexandra Gehrke was sentenced to 15.5 years in prison, and on Oct. 10 her husband, Jeffrey King, was sentenced to 14 years in prison.

According to court documents, Gehrke, 39, and King, 46, both of Phoenix, orchestrated a large-scale wound-care scheme from 2022 through 2024. Gehrke solely owned and operated two companies that contracted with medically untrained "sales representatives" to find elderly Medicare beneficiaries throughout Arizona with wounds of any kind. Once the sales representatives identified these patients, many of whom were in hospice care, Gehrke directed the sales representatives to order expensive bioengineered skin substitutes — amniotic membrane allografts made from human placental tissue — to be placed on the wounds. To maximize profits, Gehrke required the sales representatives to order only the largest sizes of grafts available, even if the sizes of grafts — or the use of grafts as treatment — were not medically appropriate or reasonable.

Gehrke referred the patients identified by the sales representatives first to a company she owned, and later in the scheme to a company co-owned by King. Both of these companies were enrolled as Medicare providers and could submit claims to Medicare. Through these companies, Gehrke and King purchased the grafts from a wholesale graft distributor. They also contracted with nurse practitioners to apply the grafts and billed Medicare and other health insurers for the grafts applied. Gehrke and King instructed the nurse practitioners to suspend their medical judgment and apply whatever quantities and sizes of grafts were ordered by the medically untrained sales representatives, regardless of medical necessity.

Gehrke, through the three companies she owned, received over \$279 million in illegal kickbacks from the wholesale graft distributor in exchange for ordering its grafts, over \$100 million of which she diverted to her personal accounts and tens of millions of which she used to pay illegal kickbacks to the sales representatives. The company co-owned by King received an additional \$130 million in illegal kickbacks from the same graft distributor.

The financial incentive for the sales representatives to order large numbers and sizes of allografts, combined with Gehrke and King's requirement that nurse practitioners apply all grafts ordered, resulted in large grafts applied to small wounds, several grafts applied to single wounds, grafts applied to non-existent wounds and grafts applied to terminally ill patients receiving palliative care, some of whom died within days or the same day of the allograft application.

Read entire article:

<https://www.justice.gov/opa/pr/wound-graft-company-owners-sentenced-12b-health-care-fraud-and-agree-pay-309m-resolve-civil>

MIDLAND HEALTH Compliance HOTLINE

855•662•SAFE (7233)

ID#: 6874433130

ID# is required to submit a report.

You can make your report or concern ANONYMOUSLY.



**HIPAA Section 10.3: Physical Safeguards****POLICY**

It is the policy of Midland Memorial Hospital to employ physical safeguards to maintain the privacy of PHI in compliance with the standards, implementation guidelines or other requirements of the HIPAA Privacy and Security Rules. The Information Security Officer shall determine which Midland Memorial Hospital workforce members shall be required to read and attest in writing that they understand this policy and who shall follow these procedures. All workforce members who have access to PHI shall be familiar with this policy and shall follow these procedures.

PHYSICAL SAFEGUARDS**PROCEDURE**

It Facility Access Controls. Midland Memorial Hospital implements policies and procedures to limit physical access to its PHI and the facility or facilities in which PHI is housed, while ensuring that properly authorized access is allowed.

- a. Facility Security Plan. (Addressable according to the Security Rules.) Midland Memorial Hospital implements the following procedures to safeguard the facility and the equipment therein from unauthorized physical access, tampering and theft.
 - Midland Memorial Hospital security routinely patrol all Midland Memorial Hospital facilities to ensure that locked doors remain locked and that facilities remain generally secure.
 - Midland Memorial Hospital keeps its facilities secure from unauthorized access by requiring all employees and subcontractors to use identification badges and by requiring all contractors to sign in and out.
- b. Access Control and Validation Procedures. (Addressable according to the Security Rules.) Midland Memorial Hospital implements the following procedures to control and validate a person's access to facilities
 - Midland Memorial Hospital shall issue identification badges to employees and subcontractors.
 - Midland Memorial Hospital's computer systems are not accessible without user ids and passwords.
 - Midland Memorial Hospital shall entrust certain individuals to maintain keys to the locked room or file cabinets where records containing PHI are stored.

*Read entire Policy:**Midland Health PolicyTech #6541 – "Code of Conduct for Medical Staff & Practitioners"***Midland Health PolicyTech Instructions**

Click this link located on the Midland Health intranet "Policies"

<https://midland.policytech.com/dotNet/noAuth/login.aspx?ReturnUrl=%2f>**LINK 1**

HIPAA Enforcement by State Attorneys General

<https://www.hipaajournal.com/hipaa-enforcement-by-state-attorneys-general/>

LINK 2

HIPAA Password Requirements

<https://www.hipaajournal.com/hipaa-password-requirements/>

LINK 3

Staff are the Weakest Link in HIPAA Cybersecurity

<https://www.hipaajournal.com/staff-weakest-link-hipaa-cybersecurity/>

LINK 4

Healthcare Data Breach Statistics

<https://www.hipaajournal.com/healthcare-data-breach-statistics/>

FALSE CLAIMS ACT (FCA)**CEO of Health Care Software Company Sentenced for \$1B Fraud Conspiracy**

An Arizona man was sentenced Friday to 15 years in prison and ordered to pay more than \$452 million in restitution for conspiring to defraud Medicare and other federal health care benefit programs of more than \$1 billion by operating a platform that generated false doctors' orders used to support fraudulent claims for various medical items.

"This just sentence is the result of one of the largest telemarketing Medicare fraud cases ever tried to verdict," said Acting Assistant Attorney General Matthew R. Galeotti of the Justice Department's Criminal Division. "Telemedicine scammers who use junk mailers, spam calls and the internet to target senior citizens steal taxpayer money and harm vulnerable populations. The Criminal Division will continue dedicating substantial resources to the fight against telemedicine and medical equipment frauds that drain our health care benefit programs."

"Together with our partners, the FBI will aggressively pursue those who defraud taxpayer funded health care programs," said Acting Assistant Director Rebecca Day of the FBI's Criminal Investigative Division. "Programs like Medicare are intended to help the most vulnerable among us, and fraud schemes like the one orchestrated by the defendant can jeopardize the delivery of critical care to those who need it the most."

"This sentence sends a clear message: those who exploit telemedicine to prey on seniors and steal from taxpayer-funded health care programs will be held accountable," said Deputy Inspector General for Investigations Christian J. Schrank of the U.S. Department of Health and Human Services, Office of Inspector General (HHS-OIG). "This scheme was a massive betrayal of trust, built on deception and greed. Our investigators, working with law enforcement partners, dismantled this billion-dollar fraud operation that targeted vulnerable patients and undermined the integrity of Medicare. We will not relent in our mission to protect the public and safeguard Medicare and other federal health care programs from fraud, waste, and abuse."

Read entire article:<https://www.justice.gov/opa/pr/ceo-health-care-software-company-sentenced-1b-fraud-conspiracy>**ANTI-KICKBACK STATUTE (AKS)****Virginia Laboratory to Pay \$758,000 to Settle Allegations of Kickbacks to Doctors and Marketers**

Clinical laboratory NEXT Bio-Research Services LLC, doing business as NEXT Molecular Analytics (NEXT), of Chester, Virginia, has agreed to pay at least \$758,000 to the United States to resolve False Claims Act allegations involving illegal kickbacks to doctors and marketers. NEXT has agreed to cooperate with the Department of Justice's investigations of, and litigation against, other participants in the alleged schemes.

"This settlement shows DOJ's commitment to rooting out illegal kickback schemes that have no place in our federal health care programs," said Assistant Attorney General Brett A. Shumate of the Justice Department's Civil Division. "The Department is committed to pursuing these important investigations and health care fraud enforcement across the board."

"Physicians should make decisions based the best interests of their patients, not their own personal financial interests," said U.S. Attorney Eric Grant for the Eastern District of California. "This settlement demonstrates my office's commitment to taking all appropriate action to prevent improper inducements that can corrupt the integrity of physician-patient relationships."

Read entire article:<https://www.justice.gov/opa/pr/virginia-laboratory-pay-758000-settle-allegations-kickbacks-doctors-and-marketers>

Do you have a hot topic or interesting COMPLIANCE NEWS to report?

If so, please email an article or news link to:

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