

**SENATE SUBSTITUTE FOR
HOUSE BILL NO. 4577**

A bill to amend 1977 PA 72, entitled
"The medicaid false claim act,"
by amending the title and section 11 (MCL 400.611), the title as
amended by 1982 PA 518, and by adding sections 10a, 10b, and 10c.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

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TITLE

An act to prohibit fraud in the obtaining of benefits or
payments in connection with the medical assistance program; to
prohibit kickbacks or bribes in connection with the program; to
prohibit conspiracies in obtaining benefits or payments; to
authorize the attorney general to investigate alleged violations of
this act; to provide for the appointment of investigators by the
attorney general; to ratify prior appointments of attorney general

1 investigators; to provide for civil actions to recover money
2 received by reason of fraudulent conduct; to provide for
3 receiverships of residential health care facilities; **TO PROHIBIT**
4 **RETALIATION; TO PROVIDE FOR CERTAIN CIVIL FINES;** and to prescribe
5 **REMEDIES AND** penalties.

6 **SEC. 10A. (1) ANY PERSON MAY BRING A CIVIL ACTION IN THE NAME**
7 **OF THIS STATE UNDER THIS SECTION TO RECOVER LOSSES THAT THIS STATE**
8 **SUFFERS FROM A VIOLATION OF THIS ACT. A SUIT FILED UNDER THIS**
9 **SECTION SHALL NOT BE DISMISSED UNLESS THE ATTORNEY GENERAL HAS BEEN**
10 **NOTIFIED AND HAD AN OPPORTUNITY TO APPEAR AND OPPOSE THE DISMISSAL.**
11 **THE ATTORNEY GENERAL WAIVES THE OPPORTUNITY TO OPPOSE THE DISMISSAL**
12 **IF IT IS NOT EXERCISED WITHIN 28 DAYS OF RECEIVING NOTICE.**

13 **(2) IF A PERSON OTHER THAN THE ATTORNEY GENERAL INITIATES AN**
14 **ACTION UNDER THIS SECTION, THE COMPLAINT SHALL REMAIN UNDER SEAL**
15 **AND THE CLERK SHALL NOT ISSUE THE SUMMONS FOR SERVICE ON THE**
16 **DEFENDANT UNTIL AFTER THE TIME FOR THE ATTORNEY GENERAL'S ELECTION**
17 **UNDER SUBSECTION (3) EXPIRES. AT THE TIME OF FILING THE COMPLAINT,**
18 **THE PERSON SHALL SERVE A COPY OF THE COMPLAINT ON THE ATTORNEY**
19 **GENERAL AND SHALL DISCLOSE, IN WRITING, SUBSTANTIALLY ALL MATERIAL**
20 **EVIDENCE AND INFORMATION IN THE PERSON'S POSSESSION SUPPORTING THE**
21 **COMPLAINT TO THE ATTORNEY GENERAL.**

22 **(3) THE ATTORNEY GENERAL MAY ELECT TO INTERVENE IN AN ACTION**
23 **UNDER THIS SECTION. BEFORE THE EXPIRATION OF THE LATER OF 90 DAYS**
24 **AFTER SERVICE OF THE COMPLAINT AND RELATED MATERIALS OR ANY**
25 **EXTENSION OF THE 90 DAYS THAT IS REQUESTED BY THE ATTORNEY GENERAL**
26 **AND GRANTED BY THE COURT, THE ATTORNEY GENERAL SHALL NOTIFY THE**
27 **COURT AND THE PERSON INITIATING THE ACTION OF 1 OF THE FOLLOWING:**

1 (A) THAT THE ATTORNEY GENERAL WILL PROCEED WITH THE ACTION FOR
2 THIS STATE AND HAVE PRIMARY RESPONSIBILITY FOR PROCEEDING WITH THE
3 ACTION.

4 (B) THAT THE ATTORNEY GENERAL DECLINES TO TAKE OVER THE ACTION
5 AND THE PERSON INITIATING THE ACTION HAS THE RIGHT TO PROCEED WITH
6 THE ACTION.

7 (4) IF AN ACTION IS FILED UNDER THIS SECTION, A PERSON OTHER
8 THAN THE ATTORNEY GENERAL SHALL NOT INTERVENE IN THE ACTION OR
9 BRING ANOTHER ACTION ON BEHALF OF THIS STATE BASED ON THE FACTS
10 UNDERLYING THE ACTION.

11 (5) IF THE ATTORNEY GENERAL ELECTS TO PROCEED WITH THE ACTION
12 UNDER SUBSECTION (3) OR (6), THE ATTORNEY GENERAL HAS PRIMARY
13 RESPONSIBILITY FOR PROSECUTING THE ACTION AND MAY DO ALL OF THE
14 FOLLOWING:

15 (A) AGREE TO DISMISS THE ACTION, NOTWITHSTANDING THE OBJECTION
16 OF THE PERSON INITIATING THE ACTION, BUT ONLY IF THAT PERSON HAS
17 BEEN NOTIFIED OF AND OFFERED THE OPPORTUNITY TO PARTICIPATE IN A
18 HEARING ON THE MOTION TO DISMISS.

19 (B) SETTLE THE ACTION, NOTWITHSTANDING THE OBJECTION OF THE
20 PERSON INITIATING THE ACTION, BUT ONLY IF THAT PERSON HAS BEEN
21 NOTIFIED OF AND OFFERED THE OPPORTUNITY TO PARTICIPATE IN A HEARING
22 ON THE SETTLEMENT AND IF THE COURT DETERMINES THAT THE SETTLEMENT
23 IS FAIR, ADEQUATE, AND REASONABLE UNDER THE CIRCUMSTANCES. UPON A
24 SHOWING OF GOOD CAUSE, THE SETTLEMENT HEARING MAY BE HELD IN
25 CAMERA.

26 (C) REQUEST THE COURT TO LIMIT THE PARTICIPATION OF THE PERSON
27 INITIATING THE ACTION. IF THE ATTORNEY GENERAL DEMONSTRATES THAT

1 UNRESTRICTED PARTICIPATION BY THE PERSON INITIATING THE ACTION
2 DURING THE LITIGATION WOULD INTERFERE WITH OR UNDULY DELAY THE
3 ATTORNEY GENERAL'S PROSECUTION OF THE CASE OR WOULD BE REPETITIOUS,
4 IRRELEVANT, OR UNDULY HARASSING, THE COURT MAY DO ANY OF THE
5 FOLLOWING:

6 (i) LIMIT THE NUMBER OF THE PERSON'S WITNESSES.

7 (ii) LIMIT THE LENGTH OF THE TESTIMONY OF THE PERSON'S
8 WITNESSES.

9 (iii) LIMIT THE PERSON'S CROSS-EXAMINATION OF WITNESSES.

10 (iv) OTHERWISE LIMIT THE PERSON'S PARTICIPATION IN THE
11 LITIGATION.

12 (6) IF THE ATTORNEY GENERAL NOTIFIES THE COURT THAT HE OR SHE
13 DECLINES TO TAKE OVER THE ACTION UNDER SUBSECTION (3), THE PERSON
14 WHO INITIATED THE ACTION MAY PROCEED WITH THE ACTION. AT THE
15 ATTORNEY GENERAL'S REQUEST AND EXPENSE, THE ATTORNEY GENERAL SHALL
16 BE PROVIDED WITH COPIES OF ALL PLEADINGS FILED IN THE ACTION AND
17 COPIES OF ALL DEPOSITION TRANSCRIPTS. NOTWITHSTANDING THE ATTORNEY
18 GENERAL'S ELECTION NOT TO TAKE OVER THE ACTION, THE COURT MAY
19 PERMIT THE ATTORNEY GENERAL TO INTERVENE IN THE ACTION AT ANY TIME
20 UPON A SHOWING OF GOOD CAUSE AND, SUBJECT TO SUBSECTION (7),
21 WITHOUT AFFECTING THE RIGHTS OR STATUS OF THE PERSON INITIATING THE
22 ACTION.

23 (7) UPON A SHOWING, CONDUCTED IN CAMERA, THAT ACTIONS OF THE
24 PERSON INITIATING THE ACTION DURING DISCOVERY WOULD INTERFERE WITH
25 THE ATTORNEY GENERAL'S INVESTIGATION OR PROSECUTION OF A CRIMINAL
26 OR CIVIL MATTER, THE COURT MAY STAY THE DISCOVERY FOR NOT MORE THAN
27 90 DAYS. THE COURT MAY EXTEND THE STAY UPON A FURTHER SHOWING THAT

1 THE ATTORNEY GENERAL IS PURSUING THE INVESTIGATION OR PROCEEDING
2 WITH REASONABLE DILIGENCE AND THE DISCOVERY WOULD INTERFERE WITH
3 THE ONGOING INVESTIGATION OR PROCEEDING.

4 (8) AS AN ALTERNATIVE TO AN ACTION PERMITTED UNDER THIS
5 SECTION, THE ATTORNEY GENERAL MAY PURSUE A VIOLATION OF THIS ACT
6 THROUGH ANY ALTERNATE REMEDY AVAILABLE TO THIS STATE, INCLUDING AN
7 ADMINISTRATIVE PROCEEDING. IF THE ATTORNEY GENERAL PURSUES AN
8 ALTERNATE REMEDY, A PERSON WHO INITIATED AN ACTION UNDER THIS
9 SECTION SHALL HAVE EQUIVALENT RIGHTS IN THAT PROCEEDING TO THE
10 RIGHTS THAT THE PERSON WOULD HAVE HAD IF THE ACTION HAD CONTINUED
11 UNDER THIS SECTION TO THE EXTENT CONSISTENT WITH THE LAW GOVERNING
12 THAT PROCEEDING. FINDINGS OF FACT AND CONCLUSIONS OF LAW THAT
13 BECOME FINAL IN AN ALTERNATIVE PROCEEDING SHALL BE CONCLUSIVE ON
14 THE PARTIES TO AN ACTION UNDER THIS SECTION. FOR PURPOSES OF THIS
15 SUBSECTION, A FINDING OR CONCLUSION IS FINAL IF IT HAS BEEN FINALLY
16 DETERMINED ON APPEAL TO THE APPROPRIATE COURT, IF THE TIME FOR
17 FILING AN APPEAL WITH RESPECT TO THE FINDING OR CONCLUSION HAS
18 EXPIRED, OR IF THE FINDING OR CONCLUSION IS NOT SUBJECT TO JUDICIAL
19 REVIEW.

20 (9) SUBJECT TO SUBSECTIONS (10) AND (11), IF A PERSON OTHER
21 THAN THE ATTORNEY GENERAL PREVAILS IN AN ACTION THAT THE PERSON
22 INITIATES UNDER THIS SECTION, THE COURT SHALL AWARD THE PERSON
23 NECESSARY EXPENSES, COSTS, REASONABLE ATTORNEY FEES, AND, BASED ON
24 THE AMOUNT OF EFFORT INVOLVED, THE FOLLOWING PERCENTAGE OF THE
25 MONETARY PROCEEDS RESULTING FROM THE ACTION OR ANY SETTLEMENT OF
26 THE CLAIM:

27 (A) IF THE ATTORNEY GENERAL INTERVENES, 15% TO 25%.

1 (B) IF THE ATTORNEY GENERAL DOES NOT INTERVENE, 25% TO 30%.

2 (10) IF THE COURT FINDS AN ACTION UNDER THIS SECTION TO BE
3 BASED PRIMARILY ON DISCLOSURE OF SPECIFIC INFORMATION THAT WAS NOT
4 PROVIDED BY THE PERSON BRINGING THE ACTION, SUCH AS INFORMATION
5 FROM A CRIMINAL, CIVIL, OR ADMINISTRATIVE HEARING IN A STATE OR
6 FEDERAL DEPARTMENT OR AGENCY, A LEGISLATIVE REPORT, HEARING, AUDIT,
7 OR INVESTIGATION, OR THE NEWS MEDIA, AND THE ATTORNEY GENERAL
8 PROCEEDS WITH THE ACTION, THE COURT SHALL AWARD THE PERSON BRINGING
9 THE ACTION NO MORE THAN 10% OF THE MONETARY RECOVERY IN ADDITION TO
10 REASONABLE ATTORNEY FEES, NECESSARY EXPENSES, AND COSTS.

11 (11) IF THE COURT FINDS THAT THE PERSON BRINGING AN ACTION
12 UNDER THIS SECTION PLANNED, INITIATED, OR PARTICIPATED IN THE
13 CONDUCT UPON WHICH THE ACTION IS BROUGHT, THEN THE COURT MAY REDUCE
14 OR ELIMINATE, AS IT CONSIDERS APPROPRIATE, THE SHARE OF THE
15 PROCEEDS OF THE ACTION THAT THE PERSON WOULD OTHERWISE BE ENTITLED
16 TO RECEIVE. A PERSON WHO IS CONVICTED OF CRIMINAL CONDUCT ARISING
17 FROM A VIOLATION OF THIS ACT SHALL NOT INITIATE OR REMAIN A PARTY
18 TO AN ACTION UNDER THIS SECTION AND IS NOT ENTITLED TO SHARE IN THE
19 MONETARY PROCEEDS RESULTING FROM THE ACTION OR ANY SETTLEMENT UNDER
20 THIS SECTION.

21 (12) A PERSON OTHER THAN THE ATTORNEY GENERAL SHALL NOT BRING
22 AN ACTION UNDER THIS SECTION THAT IS BASED ON ALLEGATIONS OR
23 TRANSACTIONS THAT ARE ALREADY THE SUBJECT OF A CIVIL SUIT, A
24 CRIMINAL INVESTIGATION OR PROSECUTION, OR AN ADMINISTRATIVE
25 INVESTIGATION OR PROCEEDING TO WHICH THIS STATE OR THE FEDERAL
26 GOVERNMENT IS ALREADY A PARTY. THE COURT SHALL DISMISS AN ACTION
27 BROUGHT IN VIOLATION OF THIS SECTION.

1 (13) UNLESS THE PERSON IS THE ORIGINAL SOURCE OF THE
2 INFORMATION, A PERSON, OTHER THAN THE ATTORNEY GENERAL, SHALL NOT
3 INITIATE AN ACTION UNDER THIS SECTION BASED UPON THE PUBLIC
4 DISCLOSURE OF ALLEGATIONS OR TRANSACTIONS IN A CRIMINAL, CIVIL, OR
5 ADMINISTRATIVE HEARING, IN A STATE OR FEDERAL LEGISLATIVE,
6 INVESTIGATIVE, OR ADMINISTRATIVE REPORT, HEARING, AUDIT, OR
7 INVESTIGATION, OR FROM THE NEWS MEDIA. THE PERSON IS THE ORIGINAL
8 SOURCE IF HE OR SHE HAD DIRECT AND INDEPENDENT KNOWLEDGE OF THE
9 INFORMATION ON WHICH THE ALLEGATIONS ARE BASED AND VOLUNTARILY
10 PROVIDED THE INFORMATION TO THE ATTORNEY GENERAL BEFORE FILING AN
11 ACTION BASED ON THAT INFORMATION UNDER THIS SECTION.

12 (14) THIS STATE AND THE ATTORNEY GENERAL ARE NOT LIABLE FOR
13 ANY EXPENSES, COSTS, OR ATTORNEY FEES THAT A PERSON INCURS IN
14 BRINGING AN ACTION UNDER THIS SECTION. ANY AMOUNT AWARDED TO A
15 PERSON INITIATING AN ACTION TO ENFORCE THIS ACT IS PAYABLE SOLELY
16 FROM THE PROCEEDS OF THE ACTION OR SETTLEMENT.

17 (15) IF A PERSON PROCEEDS WITH AN ACTION UNDER THIS SECTION
18 AFTER BEING NOTIFIED THAT THE ATTORNEY GENERAL HAS DECLINED TO
19 INTERVENE AND THE COURT FINDS THAT THE CLAIM WAS FRIVOLOUS, AS
20 DEFINED IN SECTION 2591 OF THE REVISED JUDICATURE ACT OF 1961, 1961
21 PA 236, MCL 600.2591, THE COURT SHALL AWARD THE PREVAILING
22 DEFENDANT ACTUAL AND REASONABLE ATTORNEY FEES AND EXPENSES AND, IN
23 ADDITION, SHALL IMPOSE A CIVIL FINE OF NOT MORE THAN \$10,000.00.
24 THE CIVIL FINE SHALL BE DEPOSITED INTO THE MICHIGAN MEDICAID
25 BENEFITS TRUST FUND ESTABLISHED IN SECTION 5 OF THE MICHIGAN TRUST
26 FUND ACT, 2000 PA 489, MCL 12.255.

27 SEC. 10B. (1) THE ATTORNEY GENERAL MAY RECOVER ALL COSTS THIS

House Bill No. 4577 as amended December 1, 2005

1 STATE INCURS IN THE LITIGATION AND RECOVERY OF MEDICAID RESTITUTION
2 UNDER THIS ACT, INCLUDING THE COST OF INVESTIGATION AND ATTORNEY
3 FEES. THE ATTORNEY GENERAL SHALL RETAIN THE AMOUNT RECEIVED FOR
4 ACTIVITIES UNDER THIS ACT, EXCLUDING AMOUNTS FOR RESTITUTION, COURT
5 COSTS, AND FINES, NOT TO EXCEED THE AMOUNT OF THIS STATE'S FUNDING
6 MATCH FOR THE MEDICAID FRAUD CONTROL UNIT.

7 (2) THE ATTORNEY GENERAL SHALL NOT RETAIN AMOUNTS UNDER THIS
8 SECTION UNTIL ALL THE RESTITUTION AWARDED IN THE PROCEEDING HAS
9 BEEN PAID.

10 (3) COSTS THAT THE ATTORNEY GENERAL RECOVERS IN EXCESS OF THE
11 STATE'S FUNDING MATCH FOR THE MEDICAID FRAUD CONTROL UNIT SHALL BE
12 DEPOSITED IN THE MICHIGAN MEDICAID BENEFITS TRUST FUND ESTABLISHED
13 IN SECTION 5 OF THE MICHIGAN TRUST FUND ACT, 2000 PA 489, MCL
14 12.255.

15 SEC. 10C. (1) AN EMPLOYER SHALL NOT DISCHARGE, DEMOTE,
16 SUSPEND, THREATEN, HARASS, OR OTHERWISE DISCRIMINATE AGAINST AN
17 EMPLOYEE IN THE TERMS AND CONDITIONS OF EMPLOYMENT BECAUSE THE
18 EMPLOYEE INITIATES, ASSISTS IN, OR PARTICIPATES IN A PROCEEDING OR
19 COURT ACTION UNDER THIS ACT OR BECAUSE THE EMPLOYEE COOPERATES WITH
20 OR ASSISTS IN AN INVESTIGATION UNDER THIS ACT. THIS PROHIBITION
21 DOES NOT APPLY TO AN EMPLOYMENT ACTION AGAINST AN EMPLOYEE WHO <<THE
COURT FINDS BROUGHT A FRIVOLOUS CLAIM, AS DEFINED IN SECTION 2591 OF THE
REVISED JUDICATURE ACT OF 1961, 1961 PA 236, MCL 600.2591; THE COURT
FINDS TO HAVE PLANNED, INITIATED, OR PARTICIPATED IN THE CONDUCT UPON
WHICH THE ACTION IS BROUGHT; OR>> IS
22 CONVICTED OF CRIMINAL CONDUCT ARISING FROM A VIOLATION OF THIS ACT.

23 (2) AN EMPLOYER WHO VIOLATES THIS SECTION IS LIABLE TO THE
24 EMPLOYEE FOR ALL OF THE FOLLOWING:

25 (A) REINSTATEMENT TO THE EMPLOYEE'S POSITION WITHOUT LOSS OF
26 SENIORITY.

27 (B) TWO TIMES THE AMOUNT OF LOST BACK PAY.

1 (C) INTEREST ON THE BACK PAY.

2 (D) COMPENSATION FOR ANY SPECIAL DAMAGES.

3 (E) ANY OTHER RELIEF NECESSARY TO MAKE THE EMPLOYEE WHOLE.

4 Sec. 11. (1) ~~An~~ EXCEPT AS PROVIDED IN SUBSECTION (2), AN
5 action brought in connection with a medicaid matter under this act
6 ~~may~~ **SHALL** be filed in ~~the courts of~~ Ingham county and may be
7 prosecuted to final judgment in satisfaction there.

8 (2) A PERSON MAY BRING A CIVIL ACTION UNDER SECTION 10A IN ANY
9 COUNTY IN WHICH VENUE IS PROPER. IF THE ATTORNEY GENERAL ELECTS TO
10 INTERVENE UNDER SECTION 10A(3) OR (6) AND THE COURT GRANTS THE
11 REQUEST, UPON MOTION BY THE ATTORNEY GENERAL, THE COURT SHALL
12 TRANSFER THE ACTION TO THE CIRCUIT COURT IN INGHAM COUNTY.

13 (3) ~~(2)~~ Process issued by a court in which an action is
14 filed may be served anywhere in the state.