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PRESS RELEASE

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Precision Toxicology Agrees to Pay \$27 Million to Resolve Allegations of Unnecessary Drug Testing and Illegal Kickbacks to Physicians

BALTIMORE, MD (October 15, 2024) – Attorney General Anthony G. Brown today announced that his office has reached a settlement with Precision Toxicology for \$27 million to resolve allegations that it billed government health programs for medically unnecessary urine drug tests and kickbacks to physicians in exchange for laboratory testing referrals.

Precision, headquartered in San Diego, California, is one of the nation’s largest urine drug testing laboratories. The case originated with a Baltimore-area whistleblower complaint that prompted a complex state and federal investigation into a scheme operating within the drug testing industry, in which profits—and fraud—have increased as the opioid epidemic has spread nationwide.

“Our office will not allow companies to fraudulently obtain taxpayer money by funneling Marylanders into medically unnecessary drug tests,” **said Attorney General Brown**. “The opioid epidemic is a national scourge. Companies’ attempts to take advantage of that public health crisis will not be tolerated.”

In the settlement agreement, Maryland and numerous other states, as well as the federal government, alleged that Precision billed government health care programs for excessive and unnecessary urine drug testing from January 1, 2013, through December 31, 2022. In particular, the government plaintiffs contended that Precision caused physicians to order excessive numbers of urine drug tests, in part through use of blanket orders that caused physicians to order a large number of tests without an individualized assessment of each patient’s needs. Under federal and state laws, government health care programs only pay for services that are reasonable and medically necessary.

The government plaintiffs also alleged that Precision providing free point-of-care urine drug test cups to physicians—on the condition the physicians agree to return the urine specimens to Precision for additional testing—violated anti-kickback laws. These laws prohibit laboratories from giving physicians anything of value in exchange for referrals of tests.

In addition to the monetary settlement, Precision has agreed to enter into a five-year Corporate Integrity Agreement with the Department of Health and Human Services Office of Inspector General (HHS-OIG), which will allow the federal government to monitor Precision's operations over that period, and mandate reforms and corrections as needed.

Of the settlement amount, \$18.2 million will be paid to the federal government. Maryland will receive \$5.7 million. Other impacted states will also receive a share, including Illinois, Minnesota, Virginia, Georgia and Colorado. The original whistleblower, Bryce Hudak, who was a clinical director of a Baltimore treatment center that referred patients to Precision for testing, will receive \$2.7 million as part of the settlement.

The allegations resolved by this settlement were originally brought in three lawsuits filed by whistleblowers under the federal and state False Claims Act, which allow private parties to bring suit on behalf of the government and to share in any recovery. Two of the cases are *United States and Maryland ex rel. Hudak v. Precision Toxicology LLC*, and *United States, Illinois and Minnesota ex rel. Buonauro v. Precision Diagnostics LLC et al.*, both filed in the U.S. District Court for the District of Maryland. The third case against Precision, brought in the District of Colorado, remains partially sealed.

In making today's announcement, Attorney General Brown thanked Assistant Attorney General Raja Mishra for his work on the case.

This case was resolved due to a coordinated effort between federal and state partners lead by the U.S. Department of Justice Civil Division's Commercial Litigation Branch, Fraud Section; along with the Maryland Office of Attorney General Medicaid Fraud and Vulnerable Victims Unit; U.S. Attorney's Offices for the Districts of Maryland, Colorado and Connecticut; the Department of Health and Human Services Office of Inspector General and Office of the General Counsel; the Office of Personnel Management Office of Inspector General; the Department of Veteran's Affairs Office of Inspector General; the Defense Criminal Investigative Service; and the National Association of Medicaid Fraud Control Units.

The Maryland Office of the Attorney General, Medicaid Fraud and Vulnerable Victims Unit receives 75 percent of its funding from the U.S. Department of Health and Human Services under a grant award totaling \$6,057,128 for Federal fiscal year (FY) 2024. The remaining 25 percent, totaling \$2,019,042 for FY 2024, is funded by the State of Maryland.

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