

Over \$58 Million in False Claims Act Settlements Announced This Week by DOJ

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Two separate [False Claims Act \("FCA"\)](#) cases were settled by the Department of Justice ("DOJ") this week, recovering a total of up to \$58 million in taxpayer dollars. Of this total, the whistleblowers who brought the two cases will receive nearly \$8.5 million in [whistleblower rewards](#) under the *qui tam* provisions of the FCA. The FCA allows a private individual, who has inside knowledge of fraud resulting in a financial loss to the United States government, to file a lawsuit on behalf of the government in federal court. Once the government recovers damages in the case, the whistleblower who initiated the lawsuit is eligible for a reward of between 15-30% of the total amount recovered.

The first settlement, [announced by DOJ on Monday, April 27](#), involved Genova Diagnostics Inc. ("Genova"), a clinical laboratory services company located in North Carolina. Genova agreed to pay up to \$43 million to resolve allegations, initially brought by *qui tam* relator Dr. Darryl Landis, that it violated the FCA by:

- billing federal healthcare programs, including Medicare and TRICARE, for medically unnecessary tests,

- engaging in improper billing techniques, and

- compensating individual referring physicians in violation of the Stark Law.

Dr. Landis will receive a whistleblower reward of around \$6 million as part of the settlement. Federal healthcare programs are designed to assist specific citizens with healthcare costs using taxpayer dollars and impose strict requirements for tests performed by labs, such as Genova. The tests reimbursed by federal programs have to be medically necessary for the relevant patient. This requirement ensures that taxpayer dollars are not being spent frivolously on unnecessary tests which serve only to line the pockets of private entities and individuals. [Medicare fraud](#), and fraud against any similar program, continues to be a pervasive drain on taxpayer dollars and the FCA is the most effective method for recovering large sums from fraudsters.

The other FCA settlement announced by DOJ this week revolved around fraud in government backed home mortgage programs. On [Wednesday, April 29, DOJ announced](#) a settlement with Guaranteed Rate Inc., a nationwide mortgage provider, for \$15.06 million. The case alleged that Guaranteed Rate did not follow requirements for providing mortgages backed by programs administered by the Department of Housing and Urban Development's Federal Housing Administration ("FHA") and the Department of Veterans Affairs ("VA"). The mortgage programs administered by FHA and VA, allow for private mortgage providers to originate home loans without approval by the government agencies so long as the providers follow rigid rules and regulations to ensure that any mortgage applicants meet essential credit and underwriting criteria. These rules, when followed, limit the exposure of taxpayer dollars paid out when loans default.

The False Claims Act case alleged that Guaranteed Rate did not follow these rules and failed to "maintain quality control programs to prevent and correct underwriting deficiencies, self-report any materially deficient loans that they identif[ied], and ensure that the underwriting process [was] free from conflicts of interest." The result of these deficient practices was that Guaranteed Rate approved loans that "HUD and VA would not have insured or guaranteed but for" the improper acts by Guaranteed Rate. However, Guaranteed Rate was proactive in correcting these practices both before, and after, it learned of the government's investigation in this case. As a result, Guaranteed Rate was able to settle at a lower figure than it otherwise would have. Anthonitte Carranza initially brought this case as a *qui tam* relator and will receive a whistleblower award of \$2,443,000.

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