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More Bandwidth, More Problems: Whistleblower Receives $6.4 Million for Reporting Telecommunications Contracting Fraud

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The United States Department of Justice settled a case against Anchorage, Alaska-based telecommunications company GCI Communications Corp. for government contracting fraud in connection with the Federal Communications Commission’s Rural Health Care Program. Under the terms of the settlement, the telecommunications company paid $40,242,546. The whistleblower was the telecommunications company’s former Director of Business Administration; for successfully reporting violations of the False Claims Act via a qui tam lawsuit, the whistleblower will receive $6.4 million or about 16% of the government’s recovery.

The Rural Health Care Program is administered by the FCC, which provides subsidies to rural healthcare providers to cover the difference between telecommunications services in urban (less expensive) and rural (more expensive) areas. GCI Communications participated in this program and provided telecommunications services to rural healthcare providers, claiming subsidies from the FCC to cover the difference in pricing. According to the allegations brought forward in the qui tam case, GCI knowingly violated the pricing regulations set forth by the FCC to claim more subsidies than it was entitled to receive through the Rural Health Care Program. The qui tam suit also alleged that GCI failed to abide by competitive bidding rules established by the FCC, resulting in overcharging a healthcare system, Eastern Aleutian Tribes, Inc., for telecommunications services. Because of this violation of the competitive bidding process, not only did GCI submit false claims to the FCC, but also Eastern Aleutian submitted false claims for reimbursements from the Rural Healthcare Program. One bad contract poisoned all the subsequent claims.

The False Claims Act provides the government with the ability to hold companies and individuals accountable for defrauding government programs. In this case, an insider accused GCI Communications of submitting inflated claims for payment to the government, which is a violation of the False Claims Act. As part of the settlement agreement, GCI has agreed to pay over $40 million in damages and penalties to the government. The repercussions for GCI Communications are significant, as the telecommunications company must enter a corporate compliance agreement with the FCC, and approximately $26 million of its settlement payment represents restitution.

Notably, the whistleblower in this case was the former Director of Business Administration at GCI. He initiated the qui tam case and will receive $6.4 million as his share of the settlement. The False

Claims Act provides financial incentives for people who come forward and report fraudulent activities to the government.

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