

## SETTLEMENT AGREEMENT

### I. PARTIES

The State of Washington acting through the Washington Attorney General's Office, the Washington Health Care Authority ("HCA") and the Medicaid program (collectively "the State"), and Centralia School District ("CSD") all entities persons collectively "the Parties" enter into this Settlement Agreement ("Agreement").

### II. PREAMBLE

As a preliminary statement to this Agreement, the Parties agree to the following:

A. The CSD is a Washington school district located in Centralia, Washington. CSD executed an interlocal agreement with the State which enabled CSD to participate in the Medicaid Administrative Match program in order to obtain Medicaid reimbursement for certain CSD Medicaid outreach and referral activities.

B. In July, 2013, the Attorney General's Medicaid Fraud Control Unit began an investigation into allegations that, from March, 2011, through June, 2013, CSD knowingly submitted false claims (and statements in support thereof) for payment to HCA for Medicaid administrative costs.

C. The Medicaid Administrative Match program was established by Title XIX of the Social Security Act, 42 U.S.C. §§ 1396 through 1396w-5. It is administered by HCA pursuant to RCW 74.04.050, RCW 74.09.500, and other laws.

D. The State contends that, based on its investigation, it has certain civil and administrative claims against CSD related to the filing of false claims (or false statements in support of false claims) from March, 2011, through June, 2013. The alleged conduct (the "Covered Conduct") underlying these claims is described in a letter dated March 13, 2014.

E. CSD expressly denies the contentions and allegations contained in this Agreement and elsewhere. This Agreement is made in compromise of disputed claims. This Agreement is neither an admission of facts or liability by CSD, nor a concession by the State that its claims are not well founded.

F. Nonetheless, to avoid the delay, uncertainty, inconvenience, and expense of protracted litigation of the above claims, and in consideration of the mutual promises and obligations of this Settlement Agreement, the Parties agree and covenant as describe below.

### III. TERMS AND CONDITIONS

In reliance on the representations contained herein and in consideration of mutual promises, covenants, and obligations set forth in this Agreement, and for good and valuable consideration as stated herein, the Parties agree as follows:

- A. CSD shall pay the amount of \$372,000 ("Settlement Amount") by check made payable to

**"The Washington Health Care Authority" and deliver such check to the WA Medicaid Fraud Control Unit, 2425 Bristol Court, Olympia, WA 98502.**

CSD's financial obligations to the State arising from the Covered Conduct shall forever be discharged by this payment to the State. CSD agrees to make payment within thirty (30) calendar days of the Effective Date of this Agreement.

(1) In the event that CSD fails to pay any amount as provided above within five (5) business days of the date on which such payment is due, CSD shall be in default of its payment obligations ("Default") under this Agreement. The State will provide Notice of Default via email to CSD and to counsel for CSD, and CSD shall have the opportunity to cure such Default within five (5) business days from the date of receipt of the notice. If CSD fails to cure such Default within five (5) business days of receiving the Notice of Default, the unpaid balance of the Settlement Amount shall become immediately due and payable, and interest shall accrue at the rate of 12% per annum compounded daily from the date of Default on the remaining unpaid total (principal and interest balance). CSD shall also consent to a Consent Judgment in the amount of the unpaid balance, and the State, at its sole option, may: (a) offset the remaining unpaid balance from any amounts due and owing to CSD by any department, agency, or agent of the State at the time of Default; (b) collect the entire unpaid balance of the Settlement Amount, plus interest, including 12% interest from the date of Default, and all other amounts due upon the event of Default as specified in this paragraph; (c) file a civil action for the Covered Conduct; or (d) exercise any other rights granted by law or in equity, including referral of this matter for private collection. In the event a Complaint is filed pursuant to subsection (c) of this paragraph, CSD agrees not to plead, argue, or otherwise raise any defenses under the theories of statute of limitations, laches, estoppel, or similar theories to the allegations in the Complaint, except to the extent such defenses were available to CSD on the Effective Date. CSD agrees not to contest any Consent Judgment, offset, or any collection action undertaken by the State pursuant to this paragraph, either administratively or in any state or federal court. CSD shall pay the State all reasonable costs of collection and enforcement under this paragraph, including attorneys' fees and expenses.

(2) For a period beginning upon execution of this agreement and ending August 31, 2015, the District agrees to cooperate fully with the State, through the MFCU and HCA, to develop and provide information to other Washington State school districts regarding the necessity for school districts to directly monitor, supervise and implement their participation in the Medicaid Match program in compliance with HCA's regulations, guidelines, and recommendations for program, changes or clarifications to ensure compliance and simplify school district participation, including the MFCU's and HCA's authority and duties under federal and state law to investigate and take enforcement action for noncompliance with Medicaid service provider billing obligations. The District shall prepare and present to the MFCU and HCA proposed written statements and presentation outlines, including joint statements and presentations, on these topics for review and approval. The District shall distribute and provide upon request such materials to Washington school districts, school district related organizations that regularly communicate program and risk management information to state school districts with requests for said organizations to publish, and, as appropriate, to provide speaking opportunities for District officials and legal counsel, and/or MFCU and HCA officials at conferences or meetings of these organizations. The District shall make submissions and requests to the Washington State School Directors Association [WSSDA] and its affiliated Washington Council of School Attorneys [WCSA], the Washington Association of School Administrators [WASA], the Association of Washington School Principals [AWSP], the Washington Association of School Business Officials [WASBO], Washington Schools Risk Management Pool ["WSRMP"], the Schools Insurance Association of Washington ["SIAW"].

B. Subject to the exceptions in ¶¶ C and D below and conditioned upon CSD's full and timely performance of its obligations as set forth in this Agreement, the State releases CSD, its successors, its former and current directors, officers, independent contractors and employees, individually and collectively (collectively, the "Released Entities"), from any civil or administrative monetary claim the State has for any claims submitted or caused to be submitted to the State Medicaid Program as a result of the Covered Conduct, including claims under ch. 74.66 RCW, ch. 74.09 RCW and its implementing regulations, 31 U.S.C. §§ 3729-3733, and/or the common law theories of payment by mistake, unjust enrichment, breach of contract and fraud.

C. Notwithstanding any term of this Agreement, the State specifically does not release the Released Entities from any of the following liabilities:

- (1) Any criminal, civil or administrative liability arising under state or federal revenue codes;
- (2) Any criminal liability not specifically released by this Agreement;
- (3) Any civil or administrative liability that any person or entity, including any Released Entities, has or may have to the State or to individual consumers or state program payors under any statute, regulation or rule not expressly covered by the release in Paragraph B above, including, but not limited to, any and all of the following liability under: (i) State

or federal antitrust laws; (ii) unfair and/or deceptive acts and practices and/or violations of consumer protection laws; (iii) industrial insurance laws;

- (4) Any liability to the State for any conduct other than the Covered Conduct;
- (5) Any liability based upon obligations created by this Agreement;
- (6) Except as explicitly stated in this Agreement, any administrative liability, including mandatory exclusions from the State's Medicaid program;
- (7) Any liability for expressed or implied warranty claims or other claims for defective or deficient products or services provided by CSD;
- (8) Any liability for personal injury or property damage or for other consequential damages arising from the Covered Conduct;
- (9) Any liability based on failure to deliver goods or services due; or
- (10) Other than those identified in § III (B) above, any liability of individuals.

D. In consideration of the performance by CSD of the obligations of set forth in this Agreement, and conditioned upon the receipt by the State of the Settlement Amount, the State agrees to release and refrain from instituting, recommending, directing, or maintaining any administrative action seeking exclusion from the State's Medicaid program against CSD for the Covered Conduct, except as reserved above. Nothing in this Agreement precludes the State from taking action against CSD in the event that CSD is excluded by federal action, if any, or for any other reason.

E. The amount that CSD must pay to the State pursuant to this Agreement will not be decreased or offset as a result of the denial of claims for payment now being withheld from payment by the State's Medicaid program, or any other state payor, for the Covered Conduct; and CSD agrees not to resubmit to the State's Medicaid program or any other state payor, any previously denied claims, which denials were based on the Covered Conduct, and agrees not to appeal or cause the appeal of any such denials of claims.

F. CSD shall not seek payment for any claims for reimbursement to the State's Medicaid program covered by this Agreement from any health care beneficiaries or their parents, sponsors, legally responsible individuals, or third party payors.

G. CSD expressly warrants that it has reviewed its financial condition and that it is currently solvent within the meaning of 11 U.S.C. §§ 547(b)(3) and 548(a)(B)(ii)(I), and shall remain solvent following payment of the Settlement Amount. If the State learns that CSD misrepresented its express warranty of financial status described above and relied upon by the State, the State may, at its option: (a) rescind this Agreement and, without objection by CSD, file a Civil Action based on the Covered Conduct, or (b) let the Agreement stand and collect the full Settlement Amount. CSD agrees not to contest any collection action undertaken by the State

pursuant to this provision, and immediately to pay the State all reasonable costs incurred in such an action, including attorney's fees and expenses.

H. In the event that the State, pursuant to Paragraph G (concerning the accuracy of CSD's financial information), opts to rescind this Agreement, CSD agrees not to plead, argue, or otherwise raise any defenses under the theories of statute of limitations, laches, estoppel, or similar theories, to any civil or administrative claims that (a) are filed by the State within three hundred sixty-five (365) calendar days of written notification to CSD that this Agreement has been rescinded, and (b) relate to the Covered Conduct, except to the extent these defenses were available on December 31, 2012.

I. CSD fully and finally releases the State, its agencies, officers, agents, employees, and servants, from any claims (including attorney's fees, costs, and expenses of every kind and however denominated) that CSD has asserted or could have asserted as of the Effective Date of this Agreement, against the State, its agencies, officers, agents, employees, and servants, related to the Covered Conduct and the State's investigation and prosecution thereof.

J. To the extent CSD provides cost-based reports to identify CSD's costs associated with such services, CSD agrees to the following:

(1) Unallowable Costs Defined: All costs (as defined in the Federal Acquisition Regulation, 48 C.F.R. § 31.205-47; and in Titles XVIII and XIX of the Social Security Act, 42 U.S.C. §§ 1395-1395kkk-1 and 1396-1396w-5; and the regulations and official program directives promulgated thereunder) incurred by or on behalf of CSD, its present or former officers, directors, employees, shareholders, and agents in connection with:

- a. the matters covered by this Agreement;
- b. the State's audit(s) and civil investigation(s) of the matters covered by this Agreement;
- c. CSD's investigation, defense, and corrective actions undertaken in response to the State's audit(s) and civil investigation(s) in connection with the matters covered by this Agreement (including attorney's fees); or
- d. the negotiation and performance of this Agreement.

(2) Future Treatment of Unallowable Costs: Unallowable Costs, as defined above, shall not be identified by CSD and CSD shall not charge such Unallowable Costs directly or indirectly to any contracts with the State or any State Medicaid program, or seek payment for such Unallowable Costs through any cost report, cost statement, information statement, or payment request submitted by CSD or any of its subsidiaries or affiliates to any entity that CSD contracts with to provide services under the State Medicaid Program.

(3) Nothing in this Agreement shall constitute a waiver of the rights of the State to audit, examine, or re-examine CSD's books and records to determine that no Unallowable Costs have been claimed in accordance with the provisions of this Paragraph.

K. Nothing in this Agreement constitutes an agreement by the State concerning the characterization of the amounts paid hereunder for purposes of state or federal tax or revenue codes.

L. This Agreement is intended to be for the benefit of the Parties only. The Parties do not release any claims against any other person or entity, except as otherwise provided in this Agreement.

M. Each Party shall bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.

N. Each party and signatory to this Agreement represents that it freely and voluntarily enters in to this Agreement without any degree of duress or compulsion, and that it has full legal authority to enter into this agreement on behalf of the organizations employing the party.

O. This Agreement is governed by the laws of the State of Washington. The exclusive jurisdiction and venue for any dispute relating to this Agreement is the Thurston County Superior Court. For purposes of construing this Agreement, this Agreement shall be deemed to have been drafted by all Parties to this Agreement and shall not, therefore, be construed against any Party for that reason in any subsequent dispute.

P. This Agreement constitutes the complete agreement between the Parties. This Agreement may not be amended, except by written consent of the Parties.

Q. This Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same Agreement.

R. This Agreement is binding on all successors, transferees, heirs, and assigns of the Parties.

S. All parties consent to disclosure of this Agreement, and information about this Agreement, to the public.

T. The Effective Date of this Agreement is the date of signature of the last signatory to the Agreement. Facsimiles of signatures shall constitute acceptable, binding signatures for purposes of this Agreement.

///

//

/

**State of Washington**

By: \_\_\_\_\_  
Douglas Walsh, MFCU Director  
Senior Assistant Attorney General  
OFFICE OF THE ATTORNEY GENERAL

Dated: \_\_\_\_\_

By: \_\_\_\_\_  
MaryAnne Lindeblad  
Medicaid Director, Health Care Authority  
STATE OF WASHINGTON MEDICAID PROGRAM

Dated: \_\_\_\_\_

**Centralia School District**

By: \_\_\_\_\_  
President of the Board of Directors,  
CENTRALIA SCHOOL DISTRICT

Dated: \_\_\_\_\_