

## SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is entered into among the United States of America, acting through the United States Department of Justice and on behalf of the Office of Inspector General (“OIG-HHS”) of the Department of Health and Human Services (“HHS”) (collectively, the “United States”), the State of California, acting through the California Department of Justice Division of Medi-Cal Fraud and Elder Abuse (“California”), Community Health Centers of the Central Coast (“CHC”), and Julio Bordas (“Relator”) (hereafter collectively referred to as “the Parties”), through their authorized representatives.

### RECITALS

A. CHC is a community health center operating in Santa Barbara and San Luis Obispo Counties, California. CHC contracted with Santa Barbara San Luis Obispo Regional Health Authority d/b/a CenCal Health (“CenCal”) to provide healthcare services to patients under California’s Medicaid program (known as “Medi-Cal”).

B. On December 22, 2015, Relator filed a *qui tam* action in the United States District Court for the Central District of California captioned *United States and California ex rel. Julio Bordas v. CenCal Health, Cottage Health System, Dignity Health, Lompoc Valley Medical Center, and Tenet Healthcare Corporation*, [REDACTED] pursuant to the *qui tam* provisions of the False Claims Act, 31 U.S.C. § 3730(b) (“FCA”) and the California False Claims Act (“CFCA”), California Government Code § 12650, et seq. (the “Civil Action”). On December 20, 2018, Relator filed a First Amended Complaint in the Civil Action, adding CHC, Pacific Central Coast Health Centers, and Sansum Santa Barbara Medical Clinic, Inc. as defendants. Relator alleges, generally, that CHC violated the FCA and the CFCA in connection with certain payments made by CenCal to CHC in connection with Medi-Cal Adult Expansion under the Affordable Care Act (referred to as the “CHC Allegations”). Relator further alleges

that CenCal and the other defendants also violated the FCA and CFCA in connection with certain payments made by CenCal to the other defendants in connection with Medi-Cal Adult Expansion under the Affordable Care Act. The United States intervened in the Civil Action on December 2, 2022.

C. The United States and California contend that CHC submitted or caused to be submitted claims for payment to the Medicaid Program, 42 U.S.C. §§ 1396-1396w-5.

D. The United States and California contend that they have certain civil claims against CHC arising from CHC causing the submission of false claims to Medi-Cal pursuant to Medi-Cal Access and Coordination Expansion (“ACE”) Program Agreements (the “ACE Agreements”):

(1) executed by CenCal on October 9, 2015 and by CHC on October 22, 2015, for “Enhanced Services” to Adult Expansion Medi-Cal members, and

(2) executed by CenCal on March 30, 2016 and by CHC on April 5, 2016, for “Enhanced Services” to Adult Expansion Medi-Cal members.

The United States and California contend that payments claimed and received by CHC pursuant to the above-referenced ACE Agreements were wrongful because (a) the payments were not for “Allowed Medical Expenses” under CenCal’s contract with DHCS; (b) the payments were unlawful gifts of public funds in violation of the California Constitution; and (c) the payments were for pre-determined amounts that did not reflect the cost or fair market value of any Enhanced Services provided, and/or the Enhanced Services were duplicative of Services already required to be rendered. That conduct is referred to below as the “Covered Conduct.”

E. CHC denies the allegations in Paragraph D.

F. This Agreement is neither an admission of liability by CHC nor a concession by the United States and California that their claims are not well founded.

G. Relator claims entitlement under 31 U.S.C. § 3730(d) and California Government Code § 12652(g) to a share of the proceeds of this Agreement and to Relator's reasonable expenses, attorneys' fees and costs.

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 Agreement, the Parties agree and covenant as follows:

TERMS AND CONDITIONS

1. CHC shall pay to the United States and California \$3,500,000 (the "Settlement Amount"), plus interest on the Settlement Amount at a rate of 3.875% per annum from December 8, 2022, as follows:

a. CHC shall pay the United States \$3,150,000, plus interest at a rate of 3.875% per annum from December 8, 2022, no later than 30 days after the Effective Date of this Agreement by electronic funds transfer pursuant to written instructions, which shall include interest calculations, to be provided by the Civil Division of the United States Department of Justice to CHC's counsel.

b. CHC shall pay California \$350,000, plus interest at a rate of 3.875% per annum from December 8, 2022, by electronic funds transfer, no later than 30 days after the Effective Date of this Agreement pursuant to written instructions, which shall include interest calculations, to be provided by the California Department of Justice Division of Medi-Cal and Elder Abuse to CHC's counsel.

2. Conditioned upon the United States and California receiving the Settlement Amount payments, the United States agrees to pay to Relator by electronic funds transfer 19% and California agrees to pay to Relator by electronic funds transfer 25.45% of each such payment

received under the Agreement as soon as feasible after receipt of each such payment. Those payments described shall collectively be referred to as “Relator’s Share.”

3. Subject to the exceptions in Paragraph 6 (concerning reserved claims) below, and upon the United States’ and California’s receipt of the full Settlement Amount plus interest due under Paragraph 1, the United States releases CHC, together with its current and former parent corporations; direct and indirect subsidiaries; brother or sister corporations; divisions; current or former corporate owners; and the corporate successors and assigns of any of them; from any civil or administrative monetary claim the United States has for the Covered Conduct under the False Claims Act, 31 U.S.C. §§ 3729-3733; the Civil Monetary Penalties Law, 42 U.S.C. § 1320a-7a; the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812; or the common law theories of payment by mistake, unjust enrichment, and fraud.

4. Subject to the exceptions in Paragraph 6 (concerning reserved claims) below, and upon the United States’ and California’s receipt of the full Settlement Amount plus interest due under Paragraph 1, California releases CHC, together with its current and former parent corporations; direct and indirect subsidiaries; brother or sister corporations; divisions; current or former corporate owners; and the corporate successors and assigns of any of them, from any civil or administrative monetary claim California has for the Covered Conduct under the California False Claims Act, California Government Code §§ 12650-12656; or the common law theories of payment by mistake, unjust enrichment, fraud and all rights to recoup, demand, or otherwise seek the return of any funds distributed by CenCal to CHC pursuant to the ACE Agreements and arising out of the Covered Conduct.

5. Subject to the exceptions in Paragraph 6 (concerning reserved claims) below, and upon the United States’ and California’s receipt of the full Settlement Amount plus interest due under Paragraph 1 and Relator’s receipt of the full payment due under CHC’s separate agreement

with Relator resolving his claims for attorney's fees, expenses, and costs under 31 U.S.C. § 3730(d) and California Government Code § 12652(g), Relator, for himself and for his heirs, successors, attorneys, agents, and assigns, releases CHC, together with its current and former parent corporations; direct and indirect subsidiaries; brother or sister corporations; divisions; current or former corporate owners; and the corporate successors and assigns of any of them; and CHC's current and former directors, officers, employees, and agents, from any and all charges, complaints, lawsuits, claims, liabilities, obligations, promises, agreements, controversies, injuries, damages, actions, causes of action, suits, rights, demands, judgments, claims for relief, indebtedness, costs, losses, debts and expenses (including attorneys' fees and costs actually incurred), of any nature whatsoever, whether in law or in equity, known or unknown, suspected or unsuspected, actual or potential, in their individual capacities or on behalf of the United States and/or California, including without limitation, for claims arising from: (i) the filing of the Civil Action as to the CHC Allegations; (ii) any federal or California law, including but not limited to 31 U.S.C. §§ 3729-3733 and California Government Code §§ 12650-12656, as to the CHC Allegations, including for expenses or attorney's fees and costs related thereto; or (iii) any federal or California employment law, including but not limited to 31 U.S.C. § 3730(h), Cal. Gov. Code § 12653, and California Labor Code 1102.5. In agreeing to this provision of the Settlement Agreement, Relator acknowledges that he is familiar with § 1542 of the Civil Code of the State of California, which provides as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

As to the claims and causes of actions that Relator may have against CHC, Relator waives and relinquishes any rights and benefits he may have under § 1542 of the Civil Code of the State of

California to the full extent that he may lawfully waive all such rights and benefits. Nothing in this release shall be construed to limit or release any claims against the other defendants in the Civil Action.

6. Notwithstanding the releases given in Paragraphs 3 to 4 of this Agreement, or any other term of this Agreement, the following claims and rights of the United States and California are specifically reserved and are not released:

- a. Any liability arising under Title 26, U.S. Code (Internal Revenue Code) or under California tax law;
- b. Any criminal liability;
- c. Except as explicitly stated in this Agreement, any administrative liability or enforcement right, including mandatory or permissive exclusion from Federal health care programs;
- d. Any liability to the United States or California (or their agencies) for any conduct other than the Covered Conduct;
- e. Any liability based upon obligations created by this Agreement;
- f. Any liability of individuals;
- g. Any liability for express or implied warranty claims or other claims for defective or deficient products or services, including quality of goods and services;
- h. Any liability for failure to deliver goods or services due;
- i. Any liability for personal injury or property damage or for other consequential damages arising from the Covered Conduct.

7. Relator and his heirs, successors, attorneys, agents, and assigns shall not object to this Agreement but agree and confirm that this Agreement is fair, adequate, and reasonable under

all the circumstances, pursuant to 31 U.S.C. § 3730(c)(2)(B) and California Government Code § 12652(e)(2)(B). Conditioned upon Relator's receipt of the Relator's Share from the United States, Relator and his heirs, successors, attorneys, agents, and assigns fully and finally release, waive, and forever discharge the United States, its agencies, officers, agents, employees, and servants, from any claims arising from the filing of the Civil Action or under 31 U.S.C. § 3730, and from any claims to a share of the proceeds of this Agreement and/or the Civil Action.

Conditioned upon Relator's receipt of the Relator's Share from California, Relator and his heirs, successors, attorneys, agents and assigns fully and finally release, waive, and forever discharge California, its agencies, officers, agents, employees, and servants, from any claims arising from the filing of the Civil Action or under California Government Code § 12652, and from any claims to a share of the proceeds of this Agreement and/or the Civil Action.

8. CHC waives and shall not assert any defenses CHC may have to any criminal prosecution or administrative action relating to the Covered Conduct that may be based in whole or in part on a contention that, under the Double Jeopardy Clause in the Fifth Amendment of the Constitution, or under the Excessive Fines Clause in the Eighth Amendment of the Constitution, this Agreement bars a remedy sought in such criminal prosecution or administrative action.

9. CHC fully and finally releases the United States, California, and their agencies, officers, agents, employees, and servants, from any claims (including attorneys' fees, costs, and expenses of every kind and however denominated) that CHC has asserted, could have asserted, or may assert in the future against the United States, California, and their agencies, officers, agents, employees, and servants, related to the Covered Conduct or the United States' and California's investigation or prosecution thereof.

10. CHC, together with its current and former parent corporations; direct and indirect subsidiaries; brother or sister corporations; divisions; current or former corporate owners; and the

corporate successors and assigns of any of them; and CHC's current and former directors, officers, employees, and agents, releases Relator, together with his heirs, successors, attorneys, agents, and assigns, from any and all charges, complaints, lawsuits, claims, liabilities, obligations, promises, agreements, controversies, injuries, damages, actions, causes of action, suits, rights, demands, judgments, claims for relief, indebtedness, costs, losses, debts and expenses (including attorneys' fees and costs actually incurred), of any nature whatsoever, whether in law or in equity, known or unknown, suspected or unsuspected, actual or potential, including without limitation, for claims arising from: (i) the filing of the Civil Action as to the CHC Allegations; or (ii) any federal or California law, including but not limited to 31 U.S.C. §§ 3729-3733 and California Government Code §§ 12650-12656, as to the CHC Allegations. In agreeing to this provision of the Settlement Agreement, CHC acknowledges that it is familiar with § 1542 of the Civil Code of the State of California, which provides as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

As to the claims and causes of actions that CHC may have against Relator, CHC waives and relinquishes any rights and benefits it may have under § 1542 of the Civil Code of the State of California to the full extent that it may lawfully waive all such rights and benefits.

11. The Settlement Amount shall not be decreased as a result of the denial of claims for payment now being withheld from payment by Medi-Cal, related to the Covered Conduct; and CHC agrees not to resubmit to Medi-Cal any previously denied claims related to the Covered Conduct, agrees not to appeal any such denials of claims, and agrees to withdraw any such pending appeals.

12. CHC agrees to the following:



a. 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. §§ 1395-1395lll and 1396-1396w-5; and the regulations and official program directives promulgated thereunder) incurred by or on behalf of CHC, its present or former officers, directors, employees, shareholders, and agents in connection with:

- (1) the matters covered by this Agreement;
- (2) the United States' audit(s) and civil investigation(s) of the matters covered by this Agreement;
- (3) CHC's investigation, defense, and corrective actions undertaken in response to the United States' audit(s) and civil investigation(s) in connection with the matters covered by this Agreement (including attorneys' fees);
- (4) the negotiation and performance of this Agreement; and
- (5) the payments CHC makes to the United States and California pursuant to this Agreement and any payments that CHC may make to Relator, including costs and attorneys' fees

are unallowable costs for government contracting purposes and under the Medicare Program, Medicaid Program, TRICARE Program, and Federal Employees Health Benefits Program (FEHBP) (hereinafter referred to as Unallowable Costs).

b. Future Treatment of Unallowable Costs: Unallowable Costs shall be separately determined and accounted for by CHC, and CHC shall not charge such Unallowable Costs directly or indirectly to any contracts with the United States 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 CHC or any of its subsidiaries or affiliates to the Medicare, Medicaid, TRICARE, or FEHBP Programs.

c. Treatment of Unallowable Costs Previously Submitted for Payment: CHC further agrees that within 90 days of the Effective Date of this Agreement it shall identify to applicable Medicare and TRICARE fiscal intermediaries, carriers, and/or contractors, and Medicaid and FEHBP fiscal agents, any Unallowable Costs (as defined in this paragraph) included in payments previously sought from the United States, or any State Medicaid program, including, but not limited to, payments sought in any cost reports, cost statements, information reports, or payment requests already submitted by CHC or any of its subsidiaries or affiliates, and shall request, and agree, that such cost reports, cost statements, information reports, or payment requests, even if already settled, be adjusted to account for the effect of the inclusion of the Unallowable Costs. CHC agrees that the United States, at a minimum, shall be entitled to recoup from CHC any overpayment plus applicable interest and penalties as a result of the inclusion of such Unallowable Costs on previously-submitted cost reports, information reports, cost statements, or requests for payment.

Any payments due after the adjustments have been made shall be paid to the United States pursuant to the direction of the Department of Justice and/or the affected agencies. The United States reserves its rights to disagree with any calculations submitted by CHC or any of its subsidiaries or affiliates on the effect of inclusion of Unallowable Costs (as defined in this paragraph) on CHC or any of its subsidiaries or affiliates' cost reports, cost statements, or information reports.

d. Nothing in this Agreement shall constitute a waiver of the rights of the United States to audit, examine, or re-examine CHC's books and records to determine that no Unallowable Costs have been claimed in accordance with the provisions of this paragraph.

13. Subject to applicable privileges, which CHC does not waive, CHC agrees to cooperate fully and truthfully with the United States and California regarding any matter about which CHC has any knowledge or information relating to any ongoing investigation, litigation, trial, or other proceeding arising out of any ongoing federal investigation against individuals and entities other than CHC related to the CHC Allegations. CHC's cooperation shall include the following:

a. Upon reasonable notice, CHC shall encourage, and agree not to impair, the cooperation of its directors, officers, and employees, and shall use its best efforts to make available, and encourage, the cooperation of former directors, officers, and employees for interviews and testimony, consistent with the rights and privileges of such individuals.

b. CHC agrees to provide upon reasonable notice testimony, declarations/affidavits, or other information necessary to identify or establish the original location, authenticity, or other basis for admissibility into evidence documents or physical evidence produced in this matter by CHC as requested by the United States and/or California to be used in any investigation, litigation, trial, or other proceeding against individuals and entities other than CHC related to the CHC Allegations; and

c. CHC further agrees to furnish to the United States and California, upon reasonable notice and request, complete and unredacted copies of all non-privileged documents, reports, memoranda of interviews, and records in its possession, custody, or control concerning any investigation of the CHC Allegations that it has undertaken, or that has been performed by another on its behalf.

d. Any refusal by CHC to cooperate fully and truthfully as set forth in this paragraph, will constitute a breach of this Agreement.

14. 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 to the extent provided for in Paragraph 15 (waiver for beneficiaries paragraph), below.

15. CHC agrees that it waives and shall not seek payment for any of the health care billings covered by this Agreement from any health care beneficiaries or their parents, sponsors, legally responsible individuals, or third party payors based upon the claims defined as Covered Conduct. Nothing in this Agreement is intended to prevent or prevents CHC from pursuing indemnification from CenCal or making a claim under CHC's own liability insurance policies relating to the Covered Conduct.

16. Upon receipt of the payments described in Paragraph 1, the United States, California, and Relator shall promptly sign and file in the Civil Action a Joint Stipulation of Dismissal of CHC pursuant to Rule 41(a)(1) as follows:

- a. the Stipulation of Dismissal shall be with prejudice as to the United States' and California's claims against CHC as to the Covered Conduct;
- b. the Stipulation of Dismissal shall be without prejudice as to the United States and California as to all other claims against CHC;
- c. the Stipulation of Dismissal shall be with prejudice as to Relator as to all claims against CHC.

17. Except as specifically provided herein, each Party shall bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.

18. Each Party and signatory to this Agreement represents that it freely and voluntarily enters into this Agreement without any degree of duress or compulsion.

19. This Agreement is governed by the laws of the United States. The exclusive venue for any dispute relating to this Agreement is the United States District Court for the Central District of California. 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.

20. This Agreement constitutes the complete agreement between the Parties. This Agreement may not be amended except by written consent of the Parties. Forbearance by the United States from pursuing any remedy or relief available to it under this Agreement shall not constitute a waiver of rights under this Agreement.

21. The undersigned counsel represent and warrant that they are fully authorized to execute this Agreement on behalf of the persons and entities indicated below.

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

23. This Agreement is binding on CHC's successors, transferees, heirs, and assigns.


24. This Agreement is binding on Relator's successors, transferees, heirs, and assigns.

25. All Parties consent to the United States' disclosure of this Agreement, and information about this Agreement, to the public.

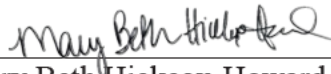
26. This Agreement is effective on the date of signature of the last signatory to the Agreement (Effective Date of this Agreement). Facsimiles and electronic transmissions of signatures shall constitute acceptable, binding signatures for purposes of this Agreement.

**THE UNITED STATES OF AMERICA**

DATED: June 12, 2023

BY:   
\_\_\_\_\_  
Jack D. Ross  
Assistant United States Attorney  
Central District of California

DATED: June 16, 2023

BY:   
\_\_\_\_\_  
Mary Beth Hickcox-Howard  
Trial Attorney  
Commercial Litigation Branch  
Civil Division  
United States Department of Justice

DATED: \_\_\_\_\_

BY: \_\_\_\_\_  
Lisa M. Re  
Assistant Inspector General for Legal Affairs  
Office of Counsel to the Inspector General  
Office of Inspector General  
United States Department of Health and Human Services

**THE UNITED STATES OF AMERICA**

DATED: \_\_\_\_\_

BY: \_\_\_\_\_  
Jack D. Ross  
Assistant United States Attorney  
Central District of California

DATED: \_\_\_\_\_

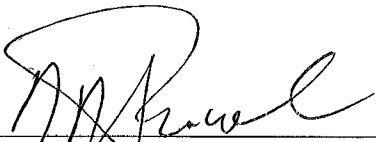
BY: \_\_\_\_\_  
Mary Beth Hickcox-Howard  
Trial Attorney  
Commercial Litigation Branch  
Civil Division  
United States Department of Justice

DATED: \_\_\_\_\_

BY: **LISA RE** Digitally signed by LISA RE  
Date: 2023.06.15 14:38:41  
-04'00'  
\_\_\_\_\_  
Lisa M. Re  
Assistant Inspector General for Legal Affairs  
Office of Counsel to the Inspector General  
Office of Inspector General  
United States Department of Health and Human Services

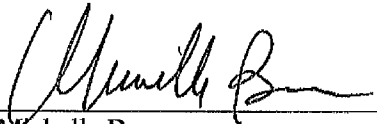
**THE STATE OF CALIFORNIA**

DATED: 6-8-23

BY: 

Nicholas N. Paul  
Senior Assistant Attorney General  
California Department of Justice  
Division of Medi-Cal Fraud & Elder Abuse


DATED: 6-7-23

BY: 

Michelle Baass  
Director  
California Department of Health Care Services



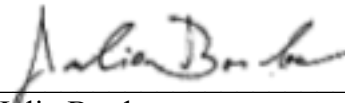
**COMMUNITY HEALTH CENTERS OF THE CENTRAL COAST - DEFENDANT**

DATED: 06/12/2023 BY:   
Ronald E. Castle, CEO  
on behalf of Community Health Centers of the Central  
Coast


DATED: 6/12/2023 BY:   
Kathryn E. Doi  
Counsel for Community Health Centers of the Central  
Coast

**JULIO BORDAS - RELATOR**

DATED: 06/09/2023

BY:   
\_\_\_\_\_  
Julio Bordas

DATED: June 9, 2023

BY:   
\_\_\_\_\_  
Edward Arens  
Phillips & Cohen LLP  
Counsel for Julio Bordas