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Xerox Pays \$236 Million to Settle State of Texas Dental Fraud Case

Legal Team: Whistleblowers Dr. Christine Ellis, Madelayne Castillo, Yarubi Morales and others Are Vindicated

AUSTIN, Feb. 20, 2019 – The \$236 million settlement of the State of Texas’ Medicaid fraud claims against Xerox Corp. business units vindicated whistleblowers Dr. Christine Ellis, Madelayne Castillo, Yarubi Morales and other whistleblowers, their legal teams said today. The settlement is the largest recovery ever in a healthcare fraud recovery suit in Texas for Medicaid related claims.

The State’s lawsuit alleged that Xerox violated the Texas Medicaid Fraud Prevention Act and “rubber-stamped” prior authorization requests by unqualified clerical employees, allowing “vast numbers” of orthodontic procedures for children whose condition did not meet Medicaid criteria for treatment. The company, formerly known as Affiliated Computer Services, Inc., before Xerox acquired it, also was accused of making false statements or representations in Medicaid filings with the state.

Dr. Ellis, an orthodontist in Dallas, testified before a congressional committee in Washington in April 2012 about alleged Medicaid fraud in orthodontic billings by Texas dentists. Ms. Castillo was an employee of the now-defunct All Smiles dental chain and West Texas Dental. Ms. Morales was a former employee of the now defunct All Smiles dental chain and Rodeo Dental.

Dr. Ellis, Ms. Castillo, Ms. Morales and several other whistleblowers all filed suits approximately two years before the State filed its suit. The State has acknowledged that the facts underlying its suit are the same as those underlying the whistleblowers’ previous filings.

Xerox became the state’s Medicaid administrator in 2003. Between 2004 and 2012, Texas expended approximately \$1.1 billion on orthodontics under the Texas Medicaid program. According to the State’s lawsuit, Xerox, and ACS, Inc. before it, repeatedly represented to Texas Medicaid officials that their prior authorization system ensured proper predeterminations of qualifications.

Ms. Castillo, Ms. Morales and several other whistleblowers who filed cases against ACS/Xerox are represented by Rusty Tucker of the Law Offices of James R. Tucker, P.C. of Dallas and Mike Tibbals of Dallas. Ketan U. Kharod, of Guerrero & Whittle, PLLC, of Austin, Charles S. Siegel and Caitlyn Silhan, of Waters and Kraus, of Dallas, Daniel L. Hargrove, of the Hargrove Law Firm of San Antonio, and James R. Moriarty, of the Law Office of James R. Moriarty of Houston represent Dr. Ellis.

Charles Siegel of Waters and Kraus said, “Because of Dr. Ellis and other whistleblowers who brought lawsuits against ACS/ Xerox, the State of Texas ultimately showed how Xerox and ACS, Inc. deeply compromised the integrity of the Texas Medicaid program. They faced vicious legal attacks in their courageous efforts to set the record straight.”

Rusty Tucker of the Law Offices of James R. Tucker, P.C. said, “Our legal team hopes this settlement sends a strong message that companies that prey upon Texas families and defraud the state will face the judgment of the courts. Companies who commit unlawful acts in violation of the Texas Medicaid Fraud Prevention Act will be held accountable. Dr. Ellis, Ms. Castillo, Ms. Morales and other whistleblowers who came forward should be recognized for helping expose this massive fraud.”

The case is “The State of Texas v. Xerox Corporation, et al.,” Cause No. D-1-GV-14-000581 in the 53rd Judicial District of Travis County, Texas.

CONTACTS:

Rusty Tucker, Law Offices of James R. Tucker, P.C. (214) 505-0097

Charles Siegel, Waters and Kraus (214) 357-6244

James Moriarty, Law Offices of James R Moriarty (713) 857-1212