

Good evening. I am Harry Markopolos, and many of you might remember me, as I was at this same podium last year.

This year, I have the distinct privilege of introducing you to someone whose story I think you will all enjoy.

That person is Taxpayers Against Fraud's 2011 Whistleblower of the Year, **Chris Riedel** of Hunter Laboratories.

Mr. Riedel's story is unique and inspirational, not just on a human level, but also from the perspective of all of us who want to see a new ethical center develop in corporate America.

To that end, I think Chris Riedel represents **the very best** of corporate America, and my hope is that he is the first star in what will become a constellation of CEO whistleblowers coming from corporate America.

But I am getting ahead of myself. Let me start at the beginning.

Chris Riedel is an innovator and businessman.

Prior to starting Hunter Labs, he was the founder and CEO of three other profitable health care companies which developed assay panels for hospitals and independent clinical labs, and which pioneered antibiotic susceptibility testing and bacterial identification tests and procedures.

His third health care company, Meris, went public, raising more than \$53 million in an IPO.

By any measure of success, Mr. Riedel is a winner.

And so, as he started Hunter Labs, his fourth health care company, he expected he would be able to do as he had in the past: earn **success the old fashioned way**, by offering innovative and better-than-excellent products and services at a fair market price.

Surprise!

It turned out that in the California laboratory services market innovative and better-than-excellent products and services at a fair market price is NOT the most obvious program for success.

Instead of a level playing field, what Mr. Riedel found was a **rigged deck**.... A broad pattern of corruption, kickbacks, price-gouging and naked profiteering that made it impossible for honest competitors, like Hunter Labs, to enter the market.

What Mr. Riedel found was hundreds of millions of dollars being stolen from California's Medicaid system.

Now, to be clear, this corruption was **not a victimless crime**. Beyond America's taxpayers, someone else was getting harmed: California's oldest, sickest and poorest.

What Chris Riedel found, when he looked at the laboratory testing market in California, was nothing less than profiteering by the **greedy** at the expense of the **needy**.

Here was **subsidy of public corruption** by theft and *lax enforcement* .... at the expense of **honest** business and integrity itself.

But what *could* he do?

More importantly, what *should* he do?

The answer was not obvious.

Chris Riedel, you see, is not a hot head. He's a businessman.

In business they teach you to run the numbers, and upon first blush the numbers are not good.

Let's review those numbers for a second, eh?

- In a country that spends more than \$3.7 trillion dollars a year, the U.S. Department of Justice only joins 100-150 False Claims Act cases a year.
- Of the False Claims Act cases that are filed, about 80% are declined.
- Of those cases that are joined or otherwise resolved, *half* are settled or adjudicated for two million dollars or less. In the ocean of False Claims Act cases out there, we find a few whales, a smattering of Tuna, and a heck of a lot of pan fish.

What's that mean? It means that all things being equal, the average American has a better chance of being struck dead by lightning than winning a False Claims Act case.

But, of course, Chris Riedel is not your average American. He is an **expert in his field** and he had special knowledge about wide-ranging and long-standing fraud in his field.

But the question remained: Did he *REALLY* want to file suit against seven of the biggest laboratory companies in California -- two of which are, in fact, the biggest laboratory companies in the world?

A prudent man does not rush into that battle. *Yes, David beat*

*Goliath.* We all love to tell that story about how a lone shepherd, guided by righteousness and armed with only five smooth stones, slayed the largest, and best armored professional warrior in the world.

We love to tell that story, but that story is **4,000 years old!** Apparently David does not beat Goliath every day!

So what were Chris Riedel's odds? They were not good.

In the end, however, Chris **improved his odds** by hiring the law firm of Cotchett, Pitre & McCarthy.

Then, together, they got the **evidence** together and **framed the story**. He checked the **sling**, and chose the **stones**.

And then, they did something very smart -- *they chose their battle field*, and they filed in the state of California.

Now, at this point, I suppose I need to tell you a little about the fraud. You see, Chris Riedel filed suit against SEVEN companies.

Seven companies! Wow! *What's that about?*

And, of course, what that's about is **systematic business-plan fraud**.

The lab frauds in California are no more an accident than the lab frauds of a decade ago.... or the hospital upcoding frauds we saw before that.... or the AWP frauds, or the off-label marketing frauds, or the nominal pricing frauds that are out there now, or the orthotics and stent kickback frauds that are out there, or the Medicare outlier frauds that we are all so familiar with.

These frauds are **not accidents**. They are core business plans, designed and sanctioned at the top. This is the "big wink" that goes on every day in the American health care field. If you want to be a big or mid-sized player in the health care arena, you quickly find out that you have to make a choice: join the fraud team, or go home.

Most companies join the fraud team. And in the California lab business, the fraud was simple: salesmen and [saleswomen](#) would approach doctors and tell them their private doctors patients would get free or deeply discounted tests and services, provided the lab got all the Medicaid business **which would be billed at hugely inflated rates**.

In short, doctors would get a **kickback** on their private patients in the form of low-cost services, in exchange for stealing hundreds of millions of dollars from the California Medicaid system.

When Chris Riedel and Hunter Labs tried to enter this market, they had two obvious choices: **suit up and join** the kickback and price-gouging operation that had already been in full swing for 15 years.... or **go home**.

Now what's unique about Chris Riedel --- **and why he is TAF's Whistleblower of the Year for 2011** -- is that he did not do the obvious thing. Instead, he chose a **third way**. He chose **integrity**.

And here's the good news..... Here's the *genius* of Abraham Lincoln and Senator Charles Grassley, Congressman Berman and John Phillips:

Because of the False Claims Act, **choosing integrity did not have to be a suicide plan**.

You see, the genius of the False Claims Act is that it **incentivizes integrity**.

Is filing a False Claims Act case still a gamble?

Oh sure.

I gave you the math.

I encourage everyone interesting in filing a False Claims Act case to first do the calculations behind the calculated risk.

But if you have **solid information... and real courage ....** and the **right lawyer.....** *and if you make no mistakes at all... it might yet work out.*

Chris Riedel did the math. He had the information. He had the courage. And most of all he had the integrity to do the right thing.

And so he filed not one case, but SEVEN cases.

He was not out to win a little money -- he was out to clean up the business.

That was in 2005.

In 2007, the Attorney General of California joined all seven cases.

Earlier this year the first defendant, Quest Diagnostics, settled for \$241 million plus legal fees.

For those of you who keep track of such things, that's the largest settlement ever under the California False Claims Act.

A few months ago, LabCorp was the second defendant to settle, this time for \$49.5 million plus legal fees.

Five other companies are in the queue, and I do not think you need to be a weatherman to say which way the wind blows here!

All of this is great stuff, but these sets of facts alone are not why Taxpayers Against Fraud reached out to make Chris Riedel Whistleblower of the Year.

You see, TAF is not anti-business, and neither are the lawyers in this room.

We are **pro-business**.

Free-market capitalism is great stuff.

The free market made this country and if this nation is to be saved, I suspect it will be saved at a modest profit. No shame in that.

But free-market capitalism should never be confused with a **lawless society** without rules and regulations.

Making a profit should never be confused with *profiteering*.

For free market capitalism to work, we have to have a level playing field, and every one has to be playing by the same set of rules.

If that happens, then the system works: we get innovative products and better-than-excellent services at a fair price.

But that's not what we have in the health care industry today. Instead, we have businesses that are not built around the delivery of health care goods and services, but around upcoding, bill

padding, kickbacks, and price-gouging.

If that is going to change, it's going to be changed because good business people like Chris Riedel **suit up, show up, speak up, and lawyer up** to make that happen.

And that is why I am very pleased to stand here today, on behalf of the lawyers and whistleblowers that make up Taxpayers Against Fraud, to honor Chris Riedel with Taxpayers Against Fraud Education Fund's **Whistleblower of the Year** award.

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