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## Tenet to pay \$10 mln to settle SEC fraud charges

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(Adds details of case, SEC comment)

WASHINGTON, April 2 (Reuters) - Tenet Healthcare Corp. (THC.N: [Quote](#), [Profile](#), [Research](#)) agreed to pay a \$10 million civil penalty to settle fraud charges, the U.S. Securities and Exchange Commission said on Monday.

The SEC said it filed charges against Tenet and four former senior executives for concealing a scheme to meet earnings targets by exploiting the Medicare reimbursement system.

David Dennis, Tenet's former chief financial officer, and Raymond Mathiasen, Tenet's former chief accounting officer, also settled with the SEC, with Dennis agreeing to pay a \$150,000 civil penalty and Mathiasen agreeing to a \$240,000 civil penalty, the SEC said.

Attorneys for the defendants could not immediately be reached for comment. Tenet, Dennis and Mathiasen settled without admitting or denying the charges.

The SEC also charged Tenet's former chief operating officer, Thomas Mackey, and former general counsel, Christi Sulzbach, in the case.

The investor protection agency alleged the company and the former officers failed to disclose to investors that the company's strong earnings growth from 1999 to 2002 was driven largely by exploiting a loophole in the Medicare reimbursement system.

The loophole related to "outlier payments," designed to compensate hospitals for caring for extraordinarily sick Medicare patients. Tenet took advantage of this practice by increasing the gross charges set by its hospitals, the SEC said.

The SEC said once Tenet revealed its scheme to shareholders and admitted the strategy was not sustainable, the market value of its stock plunged by more than \$11 billion.

"By exploiting a loophole in Medicare regulations, Tenet embarked on an unsustainable strategy to turbocharge its earnings," said Randall Lee, director of the SEC's Los Angeles regional office, in a statement.

"Yet even as Tenet's strategy produced nearly half of its earnings per share, Tenet's management kept investors in the dark about the central business strategy underlying its earnings growth."

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