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Medical Device Fraud: A Cautionary Tale for Healthcare Executives

The promise of innovative healthcare technology often lies in its potential to revolutionise patient care and improve clinical outcomes. However, recent events underscore the critical importance of due diligence by healthcare providers when selecting vendor partners. A striking example of this necessity is the conviction of Laura Perryman, founder and CEO of Stimwave, who was sentenced to six years in prison for selling a fraudulent implantable neurostimulator.

Fraudulent Scheme Unveiled

Perryman's company, Stimwave, marketed the StimQ PNS System, an implantable neurostimulation device intended to treat chronic pain by delivering electrical impulses to peripheral nerves. From 2017 to 2020, Stimwave sold this device to healthcare providers for approximately $16,000, assuring them they could bill insurers up to $24,000 using two separate reimbursement codes. However, the device's key component, the Pink Stylet, was defective and purposefully designed to be too long for safe implantation. This flaw forced providers to purchase a replacement part—the White Stylet—for an additional $16,000, which turned out to be an equally ineffective piece of plastic.

Perryman's fraudulent activities involved instructing doctors to implant this dummy component into patients, leading to unjustified billing of Medicare and private insurers for each implantation at around $18,000. U.S. District Court Judge Denise L. Cote, upon sentencing Perryman, highlighted the severity of her crimes, emphasizing the exploitation of both medical professionals and patients.

Sustaining the Fraud despite U.S. Attorney's Condemnation

“Laura Perryman callously created a dummy medical device component and told doctors to implant it into patients,” U.S. Attorney Damian Williams remarked. “She did this out of greed, so doctors could bill Medicare and private insurance companies approximately $18,000 for each implantation of that dummy component and so she could entice doctors to buy her device for many thousands of dollars.”

The deceptive practices did not stop at the initial sale. Even after complaints about the Pink Stylet being too long, Stimwave did not rectify the issue or reduce the device's price. Instead, Perryman directed the creation of the White Stylet, a completely plastic part misrepresented as a functional receiver for the neurostimulator. This move ensured that providers continued purchasing the device and billing insurers, despite its ineffectiveness.

Breach of Trust and Lessons for the Healthcare Industry

Perryman's actions were not only fraudulent but also a profound betrayal of trust, affecting the credibility of doctors who bought the device and the well-being of patients who received it. “Perryman breached the trust of the doctors who bought her medical device, and more importantly, the patients who were implanted with that piece of plastic,” Williams added.

This case serves as a stark reminder of the potential dangers lurking in the healthcare industry. As the demand for advanced medical technology grows, so does the need for rigorous vetting of medical device vendors. Providers must perform thorough due diligence to verify the efficacy and safety of new medical devices, ensuring that they truly meet the promised clinical outcomes. The healthcare community must remain vigilant against such exploitative practices to protect the integrity of patient care and the trust placed in medical professionals.

The lesson learned from this scandal is clear: Innovation in healthcare must be paired with integrity and accountability. Providers should scrutinize vendors’ claims and verify the functionality of new technologies. After all, no amount of technological advancement can substitute for

the fundamental responsibility of ensuring patient safety and trust.

Source: **HealthLeaders**

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