

U.S. Attorney Schimel: Waukesha medical equipment company agrees to pay nearly \$7 million to resolve allegations of false billings to federal healthcare programs

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Brad D. Schimel, United States Attorney for the Eastern District of Wisconsin, announced today that Kinex Medical Company, LLC, agreed to pay \$6,925,000 to resolve allegations that it violated the False Claims Act by submitting false claims to Medicare, TRICARE, and other federal programs.

Based in Waukesha, Wisconsin, Kinex sells and distributes durable medical equipment, including knee, shoulder, and hip braces, to patients across the United States. After receiving information from a whistleblower, the United States investigated and alleged that the company submitted false claims to Medicare, TRICARE, the Federal Employees Health Benefits Program (FEHBP), and the Office of Workers Compensation Programs of the Department of Labor (OWCP).

Specifically, the United States alleged that from 2019 through 2024, Kinex provided patients covered by these programs with medical braces that the patients did not need and then billed Medicare, TRICARE, FEHBP, and OWCP as if the braces had been necessary. The United States also alleged that Kinex convinced the patients to accept the braces by waiving costs like patient co-pays and by giving the patients other equipment for free.

In addition to paying nearly \$7 million to resolve the allegations concerning these false claims, Kinex also entered into a Corporate Integrity Agreement with the

United States Department of Health and Human Services, Office of the Inspector General (HHS-OIG), to ensure compliance with applicable regulations going forward.

“Medicare, TRICARE, and other federal programs only pay for medical equipment that patients actually need,” said United States Attorney Schimel. “Kinex, however, induced patients to receive braces that neither the patients nor their doctors thought they needed, all in an effort to receive taxpayer money. This settlement imposes a significant penalty on Kinex and will make taxpayers whole for the company’s wrongdoing.”

“Billing taxpayers for medically unnecessary equipment and undermining program safeguards through improper waivers of patient cost sharing can distort medical decision making and erode trust in our healthcare system. Today’s settlement underscores our commitment to protecting federal healthcare programs and the patients they serve,” said Mario M. Pinto, Special Agent in Charge of the HHS-OIG. “Our agency will continue to work closely with our law enforcement partners to hold suppliers accountable when they place profits ahead of patient need.”

“Kinex engaged in a scheme to defraud the American taxpayers. The agreement by Kinex to settle this matter and repay over \$6.9 million demonstrates the breadth of their fraudulent activity,” said FBI Milwaukee Special Agent in Charge Alan Karr. “The FBI along with our partners will continue to aggressively pursue those who steal from the American people and those engaged in healthcare fraud schemes.”

“This investigation underscores our commitment to preserving the integrity of the TRICARE program and protecting taxpayer-funded health benefits essential to military readiness,” said Special Agent-in-Charge Jason J. Sargenski of the Department of Defense Office of Inspector General’s Defense Criminal Investigative Service (DCIS), Southeast Field Office. “Fraud that diverts resources from TRICARE undermines the care promised to service members, retirees, and their families. DCIS remains focused on advancing accountability and deterrence in support of the Department’s mission.”

“Patients expect that the medical equipment received during their treatment is necessary for their care and recovery, not a means for medical companies to profit,” said Derek M. Holt, Special Agent in Charge at the U.S. Office of Personnel Management Office of the Inspector General (OPM-OIG). “We thank our agents and law enforcement partners for their work to hold these companies accountable.”

Because the government's investigation resulted from a whistleblower complaint filed under the *qui tam* provisions of the False Claims Act, the whistleblower will receive a share of the settlement. The lawsuit is captioned *United States ex rel. Geboy v. Kinex Medical Company, LLC*, Case No. 24-cv-1461, and is pending in the District Court for the Eastern District of Wisconsin.

Assistant United States Attorneys Nia Schmaltz and Michael Carter represented the government in this matter. The HHS-OIG, FBI, OPM-OIG, DCIS, and the United States Postal Service, Office of the Inspector General, assisted in the investigation. The settlement agreement states allegations only; Kinex does not admit liability for the allegations.