



Viceroy activates ‘The Honeytrap’ - Parker H. Petit & MiMedx caught red-handed.

New insights on MiMedx instructions to physicians on how to fraudulently increase compensation.

Following the release of our previous report titled “Viceroy release MiMedx EOB emails”, Viceroy Research has been contacted by physicians corroborating MiMedx’s role in distributing EOB to fraudulently increase Medicare reimbursement. This occurs through the reclassification of AmnioFix products as EpiFix products in order to obtain Medicare reimbursements.

MiMedx’s recent nonsensical responses to our research have been evasive and does not acknowledge that at its core, the practice construes Medicare fraud. In order to demonstrate this, **Viceroy set a Honeytrap. MiMedx in their desperation to mislead investors, have taken our bait.**

While the issue of reclassifying MiMedx product to exploit federal billing facilities was a major issue, there was another underlying element to the EOB.

Consider the following: in principle, Medicare reimbursements cover 80% of the cost of any treatment used as well as 80% of the Medicare application fee. Typically, this means a reduced payment for the patient, however by utilizing a larger graft than is necessary a physician can be reimbursed more than the cost of treatment.

Per the Rosenberger email, how can MiMedx justify physicians PROFITING from Medicare when system is intended to cover a PORTION of costs?

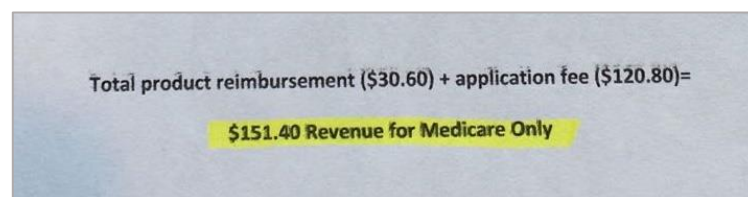


Figure 1 – MiMedx EOB document

Viceroy yesterday showed MiMedx has zero credibility regarding their statements. Previously MiMedx had state to investors AvKare wasn’t an intermediary, controlled sales and it was all lies. MiMedx know full well what the implications of Mike Carlton’s deposition under oath means. There is no commentary, statements issued by MiMedx are purely intended to manipulate a situation where blind and naive analysts continue to promote the stock.



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How MiMedx instructs physicians to fraudulently increase reimbursement

In our previous report “Viceroy release MiMedx EOB emails”, Viceroy Research published documents distributed by MiMedx to physicians who claimed MiMedx instructed AmnioFix reimbursements to be classified under an EpiFix code. The documents focus heavily on increasing reimbursement specifically from patients on Medicare.

Viceroy has obtained printouts of emails sent from MiMedx employees specifically instructing physicians on how to fraudulently increase Medicare reimbursement.

An EOB document titled “EpiFix - Made Easy” has been sent to Viceroy, which is advice from MiMedx on how to receive Medicare reimbursements for their product and was featured in “Viceroy release MiMedx EOB emails” report.

One problem: this advice was provided to surgical teams; whose products are ineligible for Medicare reimbursement.

While this is a massive issue, there was another underlying element to the EOB. We set a Honeypot.

MiMedx responded with the following:

Viceroy Claim:

“Viceroy has obtained emails instructing physicians how to falsify MiMedx Q-codes to fraudulently increase reimbursement... One problem: this advice was provided to surgical clients; whose products are ineligible for Medicare reimbursement.”

MiMedx:

This is FALSE. The email shown here, if in fact the attachment goes with the email, is an internal email between two MiMedx employees; not to a physician, and in fact says “NOT FOR DISTRIBUTION.”

Viceroy is distorting information to the point that they show just how wrong they are. Specifically regarding surgical clients, the Place of Service determines the eligibility for Medicare reimbursement using a Q-code and the individual payers determine what procedures are covered for what codes. Many surgical procedures now take place in an outpatient setting, and these, assuming other criteria are met, do qualify for reimbursement using a Q-code. One cannot presume that a surgery, just because it's a surgery, is ineligible for Q-code usage. Again, Viceroy is guessing and making up violations.

Figure 2 – MiMedx Short Selling Commentary extract – Viceroy 20

Firstly, the assertion that MiMedx would create a document titled “EpiFix Medicare Office Reimbursement Made Easy” for internal purposes is ridiculous, given it was clearly a set of instructions on how to process EpiFix reimbursements.

Many surgical procedures take place in outpatient settings, many do not. MiMedx’s response appears to suggest the extent of their fraud is not across the board.

The Honeypot was that the core issue of the email is the reference to MiMedx’s EpiFix product which measures 10.1 cm² or 10.1 billable units.



The distinction between surface area and billable units is important as it allows the company and physician to round the number upwards and claim for 11 cm² or 11 billable units. The physician's office Medicare reimbursement scheme for EpiFix mesh allows physicians to use this size on smaller wounds and still make a profit.

EpiFix Medicare Office Reimbursement Made Easy

Here is the Rosenberger email again. We had highlighted the issue in our last report. How can MiMedx justify physicians PROFITING from Medicare when system is intended to cover a PORTION of costs?

EpiFix® Medicare Office Reimbursement Made Easy....

Medicare Only Patient, no other insurance.

Medicare always covers 80% of allowable

EpiFix® Product #ES-4400 product cost=\$1395 (List Price)

EpiFix® Product #ES-4400 is billed at 11 billable units; Medicare allowable is \$162 per billable unit

$\$162 \text{ per billable unit} \times 11 \text{ units} = \1782

80% Medicare coverage of EpiFix® product reimbursement $(.8 \times \$1782) = \1425.60

Reimbursement of product $(\$1425.60) - \text{cost of product } (\$1395) = \$30.60$

15275 Application fee= \$151 Medicare Allowable

80% Medicare coverage of application fee $(.8 \times \$151) = \120.80

Total product reimbursement $(\$30.60) + \text{application fee } (\$120.80) =$

\$151.40 Revenue for Medicare Only

For each EpiFix® Product #ES-4400 applied bill 11 units of Q4131 and 15275 for the application of EpiFix®

Figure 3 – MiMedx EOB document



Examples

In principle, Medicare reimbursements cover 80% of the cost of any treatment used as well as 80% of the Medicare application fee. Typically, this means a reduced payment for the patient however through using a larger graft than is necessary a physician can be reimbursed more than the cost of treatment.

An EpiFix 2cm x 3cm allograft is applied to a Diabetic Foot Ulcer (DFU) with a total wound surface of 6cm².

Billable units	Medicare application fee	EpiFix Graft List Price	Medicare allowable per unit	Total price (units x \$/unit)	Product reimbursement (80%)	Net Medicare reimbursement
1	\$151.81	-	-	-	121.45	121.45
6	-	-\$1,275.00	-\$165.18	-\$991.08	\$792.86	-\$482.14
Total Medicare physician office reimbursement						-\$360.69

*List price per 2015 investor presentation

An EpiFix 2cm x 4cm allograft is applied to a DFU with a total wound surface of 8cm².

Billable units	Medicare application fee	EpiFix Graft List Price[1]	Medicare allowable per unit	Total price (units x \$/unit)	Product reimbursement (80%)	Net Medicare reimbursement
1	\$151.81	-	-	-	121.45	121.45
8	-	-\$1,350.00	-\$165.18	-\$1,321.44	\$1,057.15	-\$292.85
Total Medicare physician office reimbursement						-\$171.40

*List price per 2015 investor presentation

In both examples the reimbursement netted with the price of the graft results in a payment by the physician's office for the non-reimbursed portion. The above examples are the way the system is intended to operate.

Below is the system when manipulated as stated in the Rosenberger reimbursement email.

An EpiFix 10.1cm² (SKU #ES-4400) allograft is applied to a DFU with a total wound surface of 8cm².

Billable units	Medicare application fee	EpiFix Graft List Price	Medicare allowable per unit	Total price (units x \$/unit)	Product reimbursement (80%)	Net Medicare reimbursement
1	\$151.81	-	-	-	121.45	121.45
11	-	-\$1,395.00	-\$165.18	-\$1,816.98	\$1,453.58	\$58.58
Total Medicare physician office reimbursement						\$180.03

*Per Rosenberger email

As can be seen, the net reimbursement is positive, meaning the physician has actually made money from the Medicare reimbursement. This is conclusive evidence that MiMedx EOB's are intended to exploit federal billing systems

Conclusion

MiMedx's responses are evasive and are more concerned with attempting to discredit Viceroy and other research groups, than protecting the interests of its shareholders. There appears to be a systematic system of manipulation of the Medicare system occurring at MiMedx. Viceroy are confident the authorities are currently taking action against.