

Insiders Attest That GeneDx (Nasdaq: WGS) Is Actively Committing Widespread Fraud

By [GRIZZLY RESEARCH](#), February 5, 2025

- GeneDx is a genetic testing company that specializes in advanced genomic testing, particularly for rare and ultra-rare genetic disorders.
- The stock has surged over 2,500% since the start of 2024, making it one of the year's top performers. This steep growth reflects the company's reported success in significantly increasing revenue while stemming its cash burn.
- We believe the company's growth is largely an illusion, driven by fraudulent schemes and illegal tactics deliberately aimed at exploiting Medicaid and Medicare systems to artificially inflate revenue.
- Testimonies from former employees and ongoing litigation suggest that GeneDx has inflated its revenue through an illegal practice known as "code stacking". This tactic enables the company to bill insurance providers for services that do not meet the required criteria. Code stacking is prohibited since 2013.
- Notorious microcap fraudster Phillip Frost's OPKO Health sold GeneDx to Sema4 for only approximately \$330 million. Sema4's operations shut down almost entirely following the acquisition. Only 1.5 years later, GeneDx is now worth \$2 billion on the stock exchange, nearly seven times the selling price.
- CEO Katherine Stueland and CFO Kevin Feeley have consistently sold their shares immediately upon vesting, without ever engaging in open market purchases. This pattern suggests that insiders may be aware of an imminent risk that will significantly impact the company.
- GeneDx, before its name change from Sema4, had a dispute with UnitedHealthcare in 2022, resulting in a settlement to repay \$42 million over four years. Our research reveals that the reason for this dispute was unbeknownst to investors due to fraudulent code stacking.
- According to multiple former employees, the company has continued the illegal code stacking practice, which we estimate inflates revenue by approximately 25%.

- A former Vice President of the company stated that the scale of the code stacking scheme necessitates the active involvement of key executives, including CEO Katherine Stueland, CFO Kevin Feeley, and Chief Technology & Product Officer Matt Davis.
- We anticipate that Medicare, Medicaid, and other health insurers will seek to recover overpayments made to GeneDx due to illegal code-stacking practices.
- During our research we became aware of an undisclosed whistleblower action against GeneDx. Whistleblowers told us that the company is operating illegal "independent" counselor entities that direct patients exclusively to GeneDx testing services.
- Industry sources indicate that the Department of Justice is ramping up efforts to combat Medicare and Medicaid fraud, with a particular focus on scrutinizing billing practices. Over \$800 million in fines were already issued against perpetrators and we believe that GeneDx is next in line for a hefty fine.
- Since the name change from Sema4 to GeneDx, ex-employees testify that the company's relationship with Mount Sinai, the prestigious school and hospital network, has worsened.
- Former employees testify that the company's previous healthcare data platform, Centrellis, was all smoke and mirrors. GeneDx was using it to tout itself as a data company rather than a diagnostics company to gain a higher multiple on the stock market. They would have required billions of dollars and several additional years of effort to achieve the company's objectives for Centrellis.
- Clinical geneticists and industry experts have expressed concerns that GeneDx's tests do not offer superior accuracy compared to competitors, and the company lacks any sustainable competitive advantage in the marketplace.
- GeneDx is facing internal morale issues after Katherine Stueland laid off more than half of the company's staff. Many former employees cite nepotism and favoritism towards ex-Invitae employees.

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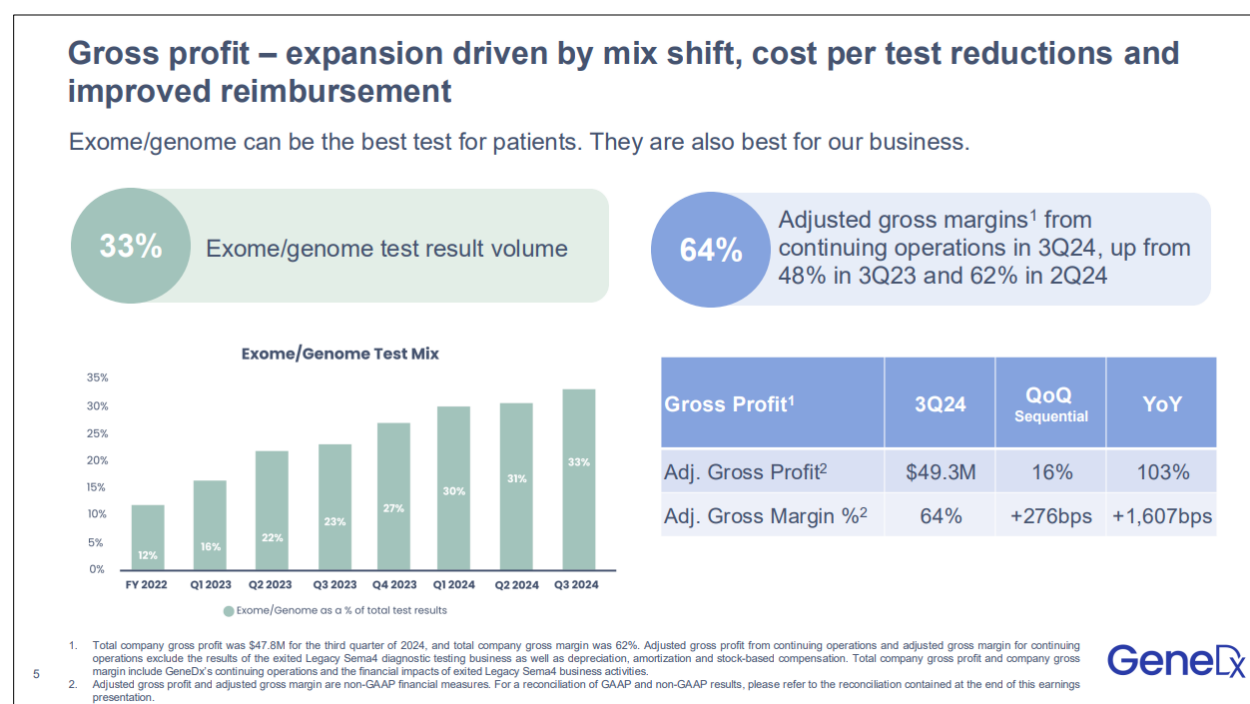
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Introduction

GeneDx (Nasdaq: WGS), formerly known as [Sema4](#), was a 2021 SPAC. Initially founded in 2017 as Sema4, the company was a strategic spinout from [Mount Sinai](#), led by [Eric Schadt](#), a founding Director of the Icahn Institute at Mount Sinai. According to [Mount Sinai's management](#), the spinout was designed to enable Sema4 to raise the capital necessary to scale its genetic testing business and develop a digital platform, eventually branded Centrellis.

Today, the company's core business currently centers on [exome and genome testing](#), primarily focusing on rare disease diagnosis and identifying hereditary conditions in patients and newborns. This segment has become the key driver of revenue and margin growth. GeneDx has emphasized "[Exome/genome can be the best test for patients. They are also best for our business.](#)"



The company spent some time as a private company for a few years after the spinout, but in 2021 Sema4 went [public through a SPAC merger](#) with CM-Life Sciences. Key appointments following the merger included [Eli Casdin](#) (Casdin Capital, a sponsor of the SPAC), [Emily Leproust](#), CEO of Twist Biosciences (Nasdaq: TWST), and [Jason Ryan](#), COO and CFO of Magenta Therapeutics (Nasdaq: MGTA).

Within six months of becoming a public company, Sema4 announced [the acquisition genomic testing and analysis company](#) from OPKO Health, Inc. (Nasdaq: OPK) to create "an AI-driven advanced health intelligence company." Alongside the announcement, Sema4 said GeneDx's CEO and Former Invitae CCO Katherine Stueland would be joining as a co-CEO and getting a seat on the board. She would become the sole CEO once the acquisition was completed in [May 2022](#).

Following the merger, GeneDx faced significant restructuring, including a series of layoffs that reduced its workforce by over 50%, from 1,900 to 900 employees, alongside the closure of several labs, including its [flagship lab in Connecticut](#). Shortly after its acquisition of GeneDx, in [January 2023](#), the company officially rebranded from Sema4 to GeneDx. Around the same time, the company also received a [notice of delisting](#) from the Nasdaq but addressed the issue by implementing a one-for-thirty-three (1:33) [reverse stock split](#) to regain compliance to stay on the exchange.

The company first disclosed a billing issue that impacted their revenue on the earnings call in August 2022, they describe this billing issue as a “dispute” with a certain payor, as a result the company lowered their quarterly revenue by \$30.1 million.

Moving to March 2023, the company disclosed that they had reached a settlement with a certain payor “to settle the claims related to coverage and billing matters allegedly resulting in the overpayments” for \$42 million.

As of early 2025, GeneDx has seen its stock price surge by over 2,500%, making it one of the best-performing stocks of 2024. This remarkable growth follows the company's achievement of breakeven cash flow and its guidance for breakeven operating costs, driven by the expansion of its exome/genome testing business. The company's leadership and analysts celebrated this milestone during its third-quarter earnings call, highlighting that “This quarter marks our tenth consecutive quarter of cash flow improvement.”

We believe this is because the company is using an illegal practice called “code stacking”.

Key Dates and Timeline

- June 2017: [Introducing Sema4: A Spinout Company of the Mount Sinai Health System](#)
- July 22nd, 2021: [Sema4 Closes Transaction with CM Life Sciences, Debuts as Publicly Traded AI-Driven Genomic and Clinical Data Platform Company](#)
- January 18th, 2022: [Sema4 to Acquire GeneDx from notorious microcap fraudster Phillip Frost's OPKO Health, supposedly Strengthening its Market-Leading AI-Driven Genomic and Clinical Data Platform](#)
 - [Katherine Stueland, CEO of GeneDx and former CCO of Invitae, to join Sema4 as Co-CEO, alongside Eric Schadt, PhD, and become a member of Sema4's board of directors](#)
 - [The total aggregate consideration, including potential milestones, is approximately \\$330 million.](#)
- May 2nd, 2022: [Sema4 Announces the Completion of the GeneDx Acquisition and a Streamlined Leadership Structure to Accelerate Growth of its Diagnostic and Clinical Data Platforms](#)

- Katherine Stueland, former President and CEO of GeneDx and former Chief Commercial Officer of Invitae, will serve as Sema4's CEO and will serve on Sema4's board of directors.
- August 15th, 2022: [Sema4 Announces Continued Restructuring, Business Highlights, and Reports Second Quarter 2022 Financial Results](#)
 - On the earnings call, the company first discloses that there has been a "dispute" with a specific payor, remarking that they made a revenue adjustment that recorded a decrease in quarterly revenue by \$30.1 million.
 - Current CFO Kevin Feeley, then a senior vice president of Operations and Head of GeneDx, tried to downplay this adjustment by describing it as a dispute. We found out that the company was caught illegally code stacking.
- January 9th, 2023: [Sema4 Announces Name Change to GeneDx and Provides Preliminary 2022 Financial Results and 2023 Guidance](#)
- May 9th, 2023: [GeneDx Reports First Quarter 2023 Financial Results and Business Highlights](#)
 - The company discloses that they have reached a settlement with a specific payor (UnitedHealthcare) "to settle the claims related to coverage and billing matters allegedly resulting in the overpayments" for \$42 million.
- Throughout 2023, the company phased out almost all Sema4 operations. The Centrellis data platform, a key selling point to investors in the initial go-public transaction, was discontinued and is now noticeably absent from any investor material.
- In 2024, GeneDx showed improvement in cash flow and profitability metrics. All the while, insiders sell almost immediately every share they are granted. We believe insiders know that GeneDx's "secret sauce" is illegal code stacking that defrauds insurance payors.

What is Code Stacking

Code stacking, a term specific to genetic testing, refers to the practice of using multiple billing codes to represent distinct steps in the molecular diagnostic testing process. Traditionally, separate CPT codes were assigned to each phase of the testing, resulting in a stacking effect. This allowed companies to maximize reimbursement across all categories of payors, including Medicare, state Medicaid programs, and commercial payors, and take advantage of patients suffering from rare diseases.

However, in response to concerns about this practice, the [Centers for Medicare & Medicaid Services \(CMS\)](#) introduced updates in January 2013 to improve the coding structure for molecular pathology. These updates aimed to reduce the possibility for code stacking by creating subgroupings and more streamlined codes specific to

molecular testing. Since then, CMS has continuously refined and introduced additional guidelines to address potential abuses within the industry.

For example, in the context of women's cancer testing, genetic testing for BRCA1/2 mutations identifies negative genetic variations linked to a significantly higher risk of breast cancer. Prior to 2013, Myriad Genetics, which was the leader in BRCA1/2 testing in the U.S., used over 80 distinct codes for billing purposes. In contrast, CMS now provides a consolidated set of codes that cover the entire testing procedure.

81162	Brca1&2 gen full seq dup/del
81163	Brca1&2 gene full seq alys
81164	Brca1&2 gen ful dup/del alys
81165	Brca1 gene full seq alys
81166	Brca1 gene full dup/del alys
81167	Brca2 gene full dup/del alys

As the genetic testing industry has evolved over the past decade, code stacking has largely been phased out. CMS has developed comprehensive codes that encapsulate multi-step tests, thereby reducing the need for multiple individual codes. Despite these advancements, the issue of code stacking remains prevalent in certain areas of the genetics sector. We describe multiple charges and settlements the Department of Justice has made over the last 6 years later in the report.

Insiders Attest That GeneDx Is Code Stacking, an Illegal Process to Inflate Revenue, and Committing Medicare/Medicaid Fraud

According to our research, GeneDx's \$42 million reimbursement to a third-party payor was to UnitedHealthcare, a fact previously unknown to investors. This payment was in response to the company's involvement in code stacking, the specifics have not been previously disclosed by the company or reported before.

We talked to numerous former employees and confirmed that, since then, the company has not changed its billing practices and is still illegally code stacking. We believe the company is committing Medicare and Medicaid fraud by engaging in this illegal practice and defrauding tens of millions of American taxpayers.

A former company Vice President stated that the code stacking scheme's scale necessitated active involvement from key executives, including CEO Katherine Stueland, CFO Kevin Feeley, and Chief Technology & Product Officer Matt Davis.

GeneDx Is Repaying UnitedHealthcare \$42 Million for Illegal Code Stacking Claims

- In 2022, GeneDx was discovered to be engaged in code stacking by UnitedHealthcare, a fact previously unknown to investors when the company was operating under the name Sema4. The company settled with UnitedHealthcare for \$42 million, which accounted for between 20% to 25% of the revenue generated from UnitedHealthcare.
- A former employee revealed that former CEO Eric Schadt was aware that the company was billing insurance providers for tests without sufficient evidence to support the charges. The CEO instructed the Chief Health Information Officer to urgently produce a paper demonstrating improved outcomes from the comprehensive panel test to substantiate reimbursement claims.
- The same employee stated that the company "would always test them the same way—which was to test about 500 genes" and would invoice for the full test, even when the physician would only order a test for 7-10 genes.
- Former employees said they would receive calls on behalf of insurers "regularly" requesting refunds for overpayments—"a bare minimum of two or three times a month."

GeneDx has been paying back \$42 million dollars to UnitedHealthcare for previous code stacking issues. The company first disclosed this reimbursement to an undisclosed payor during [its second-quarter results 2022](#), taking a \$30.1 negative revenue adjusting. On the earnings call on August 15th, 2022. The then senior vice president of Operations, Kevin Feeley, now the full-time CFO, tried to downplay the issue by calling it a simple dispute, saying that the payor "had significantly higher contracted rates than standard commercial lab rates" as a reason for the reimbursement. He failed to mention that the company was code stacking, which was the reason for the overpayment.

Kevin Feeley Sema4 Holdings Corp. - SVP of Operations & Head of GeneDx

First, I'm sure, hopefully, you can appreciate, we're in ongoing negotiations with the payer. So I'll share as much as we can at this point, but potentially more limited than you would like. **So in the second quarter, a large payer of ours completed an audit. That audit span back 3 years, the results of which is a refund request on previously paid claims. These were services provided by Sema4. So the dispute really comes down to a coverage decision with the payer requesting recoupments of amounts previously paid.** We've taken reserves on our balance sheet based on current information to date captures what we believe is the potential risk of recruitment from this and other third-party payers in our portfolio.

To your question on contracting in the context of this dispute, we're working to finalize an updated contracts with this particular payer on a combined company basis. **I'll note that this was one payer that had significantly higher contracted rates than standard commercial lab rates.** But hopefully, you can appreciate that. Discussions are ongoing, but we look forward in the days to come to resolving not only dispute but the go-forward contract disposition with this payer. But I believe the reserves on the balance sheet cover off on what we'd expect is risk in the portfolio at large.

It took GeneDx almost 9 months to come to a settlement. The company [disclosed](#) that “on December 30th, 2022, the company entered into a settlement agreement with the payor to settle the claims related to coverage and billing matters allegedly resulting in the overpayments to legacy Sema4 by the payor to the company. Under the settlement agreement, the company will pay the payor **\$42.0 million** in installments over the next four years.”

We estimate that the \$42 million dollars represent around 20-25% of the total revenue Sema4/GeneDx generated from UnitedHealthcare between the second quarter of 2022 and 2019. Using the company’s disclosure in their second quarter 2022 financial statements, we know that UnitedHealthcare was “Payor A”. According to their [10-K](#), Payor A represented between 22% and 36% of total revenues for 2019 through 2021. This is roughly \$168.3 million, and the \$42 million settlement is approximately 25% of the total revenue generated by this single payor.

For each significant payor, revenue as a percentage of total revenues and accounts receivable as a percentage of total accounts receivable are as follows:			
	Revenue		
	Year Ended December 31,		
	2021	2020	2019
Payor A	<u>22%</u>	<u>27%</u>	<u>36%</u>
Payor B	<u>13%</u>	<u>14%</u>	*
Payor C	*	*	*
Payor D	*	*	<u>24%</u>
* less than 10%			

A few months before the settlement was announced, a [class action](#) was launched in September 2022 against Sema4, Eric Schadt, the company’s former CEO; Katherine Stueland, the company’s CEO; Isaac Ro, the company’s former CFO; and Richard Miao, the company’s then Interim CFO, for federal securities law violations and false and/or misleading statements.

An [amended complaint](#) filed on January 30th, 2023, exposes that GeneDx, alongside several former employees, knew the company’s reimbursements were at risk as early as mid-2020. The lawsuit states that a former employee received an email from then-CEO Eric Schadt stating “[t]he reimbursements are under attack.” The same employee attests “that payors and health systems were claiming that they did not have to pay the Company’s bills at the full rate because the payors and health systems were claiming that the Company was charging prices that were too high.”

The former even recalls that CEO Schadt told chief health Information officer Rong Chen to draft a paper “that would demonstrate better outcomes from the comprehensive panel test” as urgently as possible. Schadt did this because, according to the former employee, “the Company’s reimbursements were going to suffer if the Company did not have a publication to back up the reimbursements” and that Sema4 “knew that the Company’s billing was not supported by the current standard of care or science.”

59. Additionally, according to FE 1, Defendants absolutely knew that the Company's reimbursements were at risk as early as mid-2020. In fact, FE 1 received an email from CEO Schadt stating in mid-2020 that "[t]he reimbursements are under attack." According to FE 1, this statement meant that payors and health systems were claiming that they did not have to pay the Company's bills at the full rate because the payors and health systems were claiming that the Company was charging prices that were too high. FE 1 stated further that CEO Schadt charged chief health information officer, Rong Chen, with the task of writing a paper that would demonstrate better outcomes from the comprehensive panel test. According to FE 1, CEO Schadt did so because, at this point, there were already hundreds of thousands of patients, and Schadt requested Chen to get out and write some papers as urgently as possible. FE 1 stated that because Defendants knew that the Company's reimbursements were going to suffer if the Company did not have a publication to back up the reimbursements, the Company was conducting big, intensive research projects to try to get out in front of the fact that Defendants knew that their position on

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reimbursement was weak. According to FE 1, Defendants knew that the Company's billing was not supported by the current standard of care or science.

The same former employee would describe the code stacking scheme from 2020 to the end of 2022 (GeneDx was acquired by Sema4 in January 2022). This employee stated that physicians would order tests on one or two genes or a disease-specific panel of 7-10 genes. Instead, the company "would always test them the same way – which was to test about 500 genes" and would invoice for the full test. Another former director confirmed this and state that they "did not feel that the Company was adhering to the gold standard in genetic reporting, noting that there was no peer-reviewed validation of the Company's testing."

60. FE 1 also stated that often physicians would order tests on one or two genes and would select one particular gene they wanted to know about or would select a disease-specific panel of seven to 10 genes. However, according to FE 1, the Company would always test them the same way – which was to test about 500 genes. FE 1 stated further that Expanded Carrier Screening was the Company’s flagship product, which tested a little over 200 genes. According to FE 1, the Company then launched a second version of the Expanded Carrier Screening Test in mid-2021, which tested over 500 genes. FE 1 stated, however, that the Company had panels where a physician could test only the genes that were relevant for breast cancer or other medical conditions. According to FE 1, although physicians would order a subset of tests, the Company would invoice for the full test. FE 2, who served as Director, Alliance Management Business Development at Sema4 from 2021 through September 2022, further confirmed that no matter what type of test physicians ordered, the Company would run the same expansive testing. FE 2 did not feel that the Company was adhering to the gold standard in genetic reporting, noting that there was no peer-reviewed validation of the Company’s testing.

A third former employee who worked as a Billing Authorization Supervisor at Sema4 from February 2018 through September 2020 said that they would personally receive calls on behalf of insurers “regularly” requesting refunds for overpayments— “a bare minimum of two or three times a month.”

61. Additionally, FE 5, who worked as a Billing Authorization Supervisor at Sema4 from February 2018 through September 2020, personally received calls on behalf of insurers “regularly” requesting refunds for overpayments—“a bare minimum of two or three times a month.” There were eight to nine other people besides FE 5 who were responsible for answering such calls. FE 5 and FE 5’s coworkers relayed these messages to their manager, Revenue Cycler Manager, Marta Ales (“Ales”), but Ales directed them to send the messages to voicemail—FE 5 understood this to mean that their manager did not intend to follow up with the insurer inquiries.

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FE 5 believed that indeed Ales did not address these inquiries because FE 5 would continue to receive such calls. According to FE 5, Ales and Ales’ colleagues “used to joke about how they weren’t going to get their money back. Someone on behalf of the insurance company would be saying there was an overpayment and they’d like a refund. The manager would laugh and have it sent to her phone and not pick up.”

These concerns and complaints were echoed by, once again, a separate former senior vice president who worked at Sema4, now GeneDx, between October 2021 and October 2023 (GeneDx was acquired by Sema4 in January 2022 and subsequently changed its name to GeneDx in January 2023). This former vice president filed a lawsuit against [GeneDx - Higashi v. GeneDx Holdings Corp. \(3:24-cv-00815\)](#) for fraudulent misrepresentation and inducement, negligent misrepresentation, and discrimination.

The former employee stated that less than a month into his job, he became aware “of a serious issue with a major payor, UnitedHealthcare,” and was asked to generate new evidence to counter the UnitedHealthcare claim that Sema4 was overcharging for its primary testing. The former employee states that in his task to find fresh evidence to help with Sema4’s claim against UnitedHealthcare, the finance department shared with him a spreadsheet that showcased “a massive code stacking scheme that they executed against all major commercial payors and several State Medicaid programs.”

Insiders Report That GeneDx Is Continuing Illegal Billing Practices to This Day

- A former employee testified “a code-stacking scheme is still actively employed by GeneDx,” and that the scale of the scheme “requires active involvement from the CEO, Katherine Stueland; CFO, Kevin Feeley; and Chief Technology & Product Officer, Matt Davis.”
- GeneDx is reportedly generating nearly 25% more than the standard reimbursement rate through code stacking. A specific example highlighted in a lawsuit illustrates that GeneDx utilized CPT code 81479, a miscellaneous code, when submitting reimbursements for Cystic Fibrosis and Spinal Muscular Atrophy testing.

In the ongoing lawsuit [*Higashi v. GeneDx Holdings Corp. \(3:24-cv-00815\)*](#), a former vice president who was terminated in October 2023, provided testimony regarding a project he was involved in called "Claims Denials." As part of this project, he investigated reasons for insurance claim denials and had access to GeneDx's billing system. The former vice president claimed that GeneDx continued to employ a code stacking scheme aimed at maximizing payments from various payors, including Medicare, state Medicaid programs, and commercial payors. He stated that this practice exposed payors to the risk of being charged multiple times for the same test, a scheme that required the active participation of CEO Katherine Stueland, CFO Kevin Feeley, and Chief Technology & Product Officer Matt Davis. According to the former vice president, the company simply transferred this code stacking practice from adult testing to newborn and pediatric rare disease testing to further maximize revenue.

The former employee provided an example around doing work for Cystic Fibrosis and Spinal Muscular Atrophy. GeneDx (still called Sema4 at the time) submitted billing codes:

- 81220, the code for Cystic Fibrosis genetic testing
- 81320, the code for Spinal Muscular Atrophy test
- 81479, a set of “stacked codes” including Cystic Fibrosis and Spinal Muscular Atrophy

For example, in the case of Cystic Fibrosis and Spinal Muscular Atrophy testing, the company submitted 3 separate instances of CPT codes to Aetna, a health insurance payor.

For Cystic Fibrosis genetic testing, they billed Aetna using CPT code 81220, for which Aetna had a contracted reimbursement rate of \$500 per test. However, Sema4's average reimbursement from Aetna for these tests was \$592 per test, approximately 18% more than the contracted rate.

For Spinal Muscular Atrophy, they submitted CPT code 81329 to Aetna. While Aetna did not have a contracted rate with Sema4 for this code, they received an average payment of \$144 per test. They also utilized CPT code 81479, a miscellaneous code that allows for

the inclusion of multiple "stacked" procedures, including additional tests for Cystic Fibrosis and Spinal Muscular Atrophy.

Using CPT code 81479, Sema4 was able to increase their average reimbursement to \$3,127 per patient from Aetna. **This approach effectively allowed them to maximize revenue by billing payors multiple times for overlapping services.**

The lawsuit highlights improper billing practices by GeneDx, including misleading patients about prior authorization statuses. The company falsely claimed that authorization was not approved when it had not been submitted. This misrepresentation aimed to avoid delays from proper submission. GeneDx also made patients pay out of pocket for genetic tests instead of waiting for insurance reimbursement. Additionally, when prior authorization requests were submitted, documentation was often mishandled.

The former vice president's testimony provides further observations during the final months of his position at GeneDx in October 2023. During his review of the billing system, he discovered that the company persisted in its illegal billing practices. He highlighted that all payors, including Medicaid and Medicare, were at risk of being billed multiple times for the same test. Additionally, he emphasized the extensive nature of the code stacking scheme, stating that it necessitated active involvement from the company's senior executives, including the CEO, Katherine Stueland, CFO, and Kevin Feeley.

In the lawsuit he went on to say "When the new GeneDx Management Team exited the Women's Health and Oncology businesses, they did not abandon the code stacking scheme. They simply transferred the code stacking scheme to maximize revenue from testing newborns and pediatric patients for rare diseases."

GeneDx has also emphasized the increasing importance of Medicaid coverage for genetic testing in its quarterly calls, stating "Recently, CMS issued quote historic guidance to quote to state Medicaid agencies underscoring their obligations to provide all medically necessary services under the early and periodic screening diagnostic and treatment program for EPSDT, which entitles every Medicaid enrolled child to services that meet their unique medical needs including diagnostic tools like exome and genome sequencing."

Clinical geneticists have told us that GeneDx handles all Medicaid reimbursements. We believe this process is a way for GeneDx to code-stack without any oversight from the geneticists and limit physicians and geneticists' ability to review or adjust what GeneDx charges Medicaid and Medicare. This lack of oversight has raised concerns about potential fraudulent billing practices by GeneDx towards Medicaid programs and taxpayers.

Another former employee, who was very familiar with the billing situation at GeneDx, told us that he believes the company grew too quickly and, because of that, was hiring billing staff who did not understand the reimbursement landscape and were not trained.

We believe that the company is continuing these illegal practices and is defrauding Medicaid programs and by extension taxpayers.

Reading through employment reports on [Indeed](#) and [Glassdoor](#) provides some examples of what previous employees saw. One [complaint states](#) "Stay away! Will set you up to fail if you complain or turn in dishonest employee. (And there are many!) Will never have your back no matter the issue. Management protects only themselves."

Another [states](#) "The job was stressful because the billing department did not know how to bill the insurance and people were sent these astronomical bills they couldn't pay."

Looking through the company's Better Business Bureau (BBB) [complaints](#) and social media posts regarding patients getting testing done also confirms our theory.



Initial Complaint
05/01/2023

Complaint Type: Service or Repair Issues
Status: Answered ?

My wife had genetic testing done through GeneDx on Nov 6, 2022. We received a bill for \$2000, which was much higher than our clinician had indicated, but that is not the core of the problem. The issue is they refuse to work with our insurance company (***** ***) which is listed as accepted on the GeneDx website. They claim the test is "non-insurance payable" and will send absolutely nothing to the insurer. I went ahead and filed a claim with the insurer using their bill, and the insurer requested information from them by mail. They did not respond to the insurer. We called GeneDx and had them change the bill from the self-pay option to an insurer-paid option, which was confirmed by an email. They even allowed us to add our insurer to the account. I then had my insurer call them and request the documents, which they said would be sent within 24-48 hours. They sent nothing to the insurer. I had my insurer call them again, this time they said they would not send anything and this is a non-insurance payable test. Apparently, someone in management blocked the documents from being sent after the previous call. They also abruptly hung up on the insurance company during this final call, which is incredibly unprofessional. The \$2000 is more than half our deductible, and GeneDx won't even allow us to get this bill counted for that! They won't do anything, or help us in any way. I highly recommend using another company for your genetic testing. GeneDx will charge you more money and will not even send information to your insurance to allow you to claim a deductible.

Initial Complaint

02/15/2023

Complaint Type: Product Issues**Status:** Resolved ?

***** from ***** Medical ordered 2 GeneDx genetic tests for me during my appointment with her on 2/9/22. For some reason, GeneDx billed my insurance shortly thereafter (Feb. 14/15th) despite the following: my test kit had not been sent to them yet, a preauthorization was not completed as required by my insurance, and no authorization was given by me for the tests to be completed. I received a call from a GeneDx representative at the end of March (3/31/22) letting me know that they checked my insurance for both tests and the only financial responsibility I would have is \$530. I asked the total costs of the tests and he told me \$1500. He asked if based on that information if I would approve moving forward with the tests and I said yes. I called GeneDx on 10/7/22 inquiring about the \$530 bill. I was told by a representative incorrect information that I completed a test in November and that my insurance didn't cover it. I contacted Genome Medical and spoke with ***** about my situation with GeneDx since they referred me. ***** reached out to a GeneDx supervisor and cleared up that my test was ordered in February 2022, not November 2022, and she got a copy of the Benefits Investigation that was completed for me. ***** was also told my max responsibility would be \$530 and she sent me a copy of the Benefits Investigation that stated that. Now Feb. 2023 and no word from GeneDx, I contacted ***** and ***** Claims on 2/2/23, representatives in both departments told me that GeneDx did not complete a preauthorization as is required by my insurance to have the tests covered and that I was not responsible for the balance as a result. They told me to confirm a zero balance with GeneDx as the insurance informed them of this, and if I couldn't confirm this, to call back and file an appeal. I keep trying to reach a supervisor to confirm this zero balance. If I don't hear from someone soon, I will be filing an appeal and contacting Consumer Affairs.

GeneDX rant

Discussion

I previously saw Dr. Irman Forghani via telehealth in Miami who requested I get full Exome sequencing because she wasn't "satisfied" with me just having the Invitae connective tissue panel and invalidated my hEDS diagnosis with Dr. Atwal who is a saint.

Anyways, they tell me with my insurance there full Exome would be \$0 and full genome would be \$1000 so I said I'll do the Exome. Nothing comes up as suspected.

MANY months later I get a bill from the genetic testing company, GeneDX, for a bill of \$9,500!!! I was shocked. I call the doctor who I no longer see, and their office says well we submitted the insurance we had on file. So I say please submit it again. Months later I get ANOTHER bill for the \$9,500. I reach out to GeneDX and say how unethical it is to receive two insanely large surprise bills without them even attempting to call me to see what went wrong. And they gaslit me and said "it's not a bill, it's a notice" when it clearly says BILL and "pay your bill" all over the thing.

I spend hours calling the marketplace, previously insurance companies I've used to figure out who I was insured with at the time and what went wrong. Turns out the doctor's office had submitted the wrong insurance so I called GeneDX back to give them the right one and get this all fixed.

Today I receive a THIRD bill for the \$9500. I am in tears at this point that something went wrong and the doctor gave me the wrong information about what would be covered. But I don't know what to do when I was expecting to pay \$0 and I'm getting charged 10 GRAND? When I didn't even need or necessarily want this testing, the doctor just requested it.

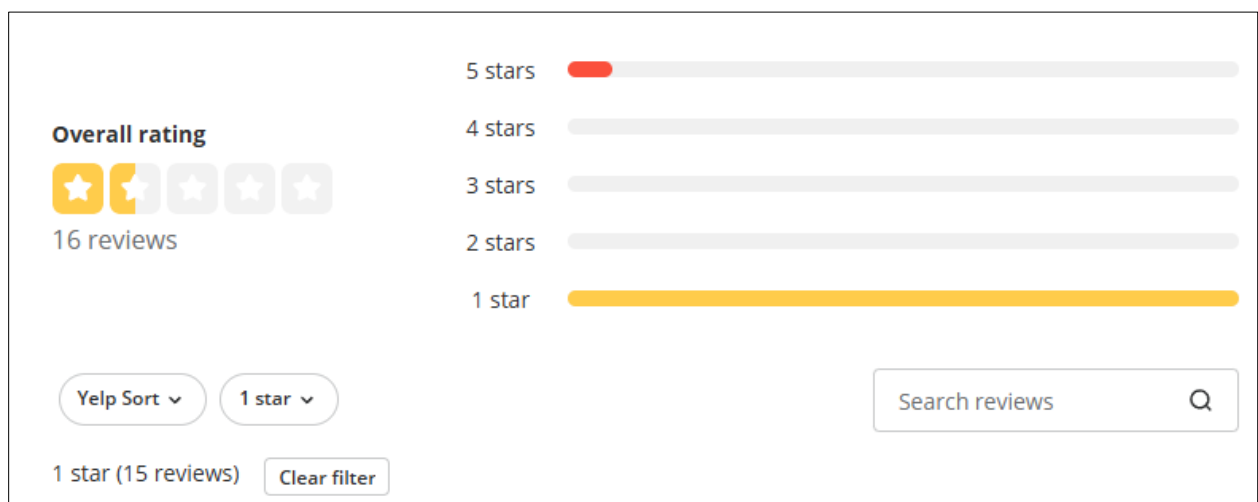
This made me want to look into what full Exome sequencing normally costs out of pocket and it's closer to \$500-\$1000 max. GeneDX is charging \$7,500 for full Exome and \$2000 for mitochondrial genome.

Is this not a scam and extremely unethical??? How could they justify such a high cost? I looked at like 10 genetics labs and none of them are charging anything close to that. It's not like their testing is special or anything and honestly I had a better experience with Invitae which was super cheap.

Any advice for what to do in this situation is much appreciated! I am disabled and can't work and obviously cannot pay a 10k surprise bill. 😞😞😞

Source: https://www.reddit.com/r/ehlersdanlos/comments/15x79xu/genedx_rant/

The [Yelp reviews](#) are just as scathing—the company has 16 total reviews with 15 being one star. Every single review is related to overbilling/unexpected billing to the patient.



Whistleblower Told Us GeneDx Utilizes a Network of Illegal 'Independent' Counselors to Drive Sales

- GeneDx is allegedly utilizing groups of genetic counselors, operating under different names that are ultimately owned by GeneDx to recommend genetic testing. This practice is illegal in most states.
- A whistleblower revealed that GeneDx established front companies that functioned as independent counseling entities, which directed individuals to undergo genetic testing exclusively with GeneDx.
- Individuals were informed about genetic testing options but were only recommended tests conducted by GeneDx.
- The whistleblower also stated that the group of genetic counselors involved in this practice often lacked the necessary licenses to operate, which is illegal in most states.

Genetic counselors play a crucial role in both the process of genetic testing and in ensuring proper reimbursement for these tests. Historically, it was a requirement for individuals seeking genetic testing to undergo pre-test genetic counseling, where counselors provide the patient with detailed information about the test, including its costs, expectations, and medical relevance. This process ensures that patients give informed consent and that the necessary documentation is in place, as both private insurance providers and state Medicare/Medicaid programs required proper medical justification for reimbursement.

The role of genetic counselors became particularly important because some companies exploited the lack of a comprehensive framework from the Centers for Medicare & Medicaid Services (CMS), often using telemedicine to encourage individuals to undergo genetic tests that were not medically necessary or lacking sufficient evidence to support their use. This raised concerns about the integrity of the testing process and the potential for unnecessary tests conducted solely for financial gain.

However, some companies began offering genetic counseling services alongside their test recommendations, which introduced ethical and legal concerns. A potential conflict of interest arises when genetic counselors working for these companies recommend tests from their own employer, leading to questions about the transparency and impartiality of these recommendations. While this practice is not illegal in all states, it remains ethically questionable and raises concerns about the integrity of the testing process. In many cases, individuals running "third-party" genetic counseling companies lacked the required licensure that is mandatory in most states.

We learned that there is an ongoing whistleblower action against GeneDx specifically related to this issue. One whistleblower told us that for the last four years, GeneDx has set up fake fronts that pose as independent third-party genetic counselors that

recommend GeneDx tests. Sometimes the individuals who work there don't have a genetic counseling license, which is also illegal in many states.

These organizations would promote GeneDx's genetic tests, sometimes without the counselors' knowledge that they were indirectly employed by GeneDx—an illegal practice. One whistleblower stated it got so bad in his organization that they ended up going to the attorney general to help police the use of these front offices.

According to the whistleblower, many of the counselors involved were unaware that they were indirectly working for GeneDx, and the company made no efforts to disclose this relationship, even to geneticists. A clinical geneticist we spoke with confirmed that the creation of such front companies has been a focus of investigation by the Department of Justice (DOJ). He emphasized that this practice presents a significant ethical issue, as many of the counselors involved lacked licensure and were unable to properly ensure informed consent, which is essential.

DOJ Has Routinely Targeted Genetic Companies for Code Stacking and Fraudulent Medicare/Medicaid Testing Practices

- The Department of Justice has charged more than 125 individuals, excluding companies, in connection with Medicare fraud and illegal kickbacks/bribes related to genetic testing, amounting to over \$4.8 billion in fraudulent activity.
- Over the past six years, the Department of Justice has successfully recovered more than \$800 million from companies and individuals involved in fraudulent Medicare billing and the provision of kickbacks or bribes for patient referrals.

The expansion of genetic testing over the past ten years, along with the inclusion of genetic testing in state Medicare and Medicaid programs, has coincided with an increase in Department of Justice (DoJ) actions against individuals involved in defrauding Medicare/Medicaid and engaging in illegal kickback schemes.

When genetic testing fraud occurs within private companies, such as the practice of code stacking, it is typically handled as a private matter between the genetic testing company and the insurance provider. In such cases, settlements are often reached, as seen with GeneDx's settlement with UnitedHealthcare. This is primarily due to the lack of a dedicated regulatory body to effectively enforce laws against these illegal billing practices.

However, in the last five years, the DoJ has charged 128 individuals, and four companies involved in fraudulent schemes, collectively resulting in over \$800 million in fines so far due to illicit Medicare/Medicaid reimbursements. Additionally, the DoJ has charged 21 individuals for Medicare fraud and illegal kickbacks, involving over \$4 billion in fraudulent claims.

Date	Amount	# of People Charged	Reasoning
<u>September 1, 2019</u>	\$ 1,700,000,000	35	Fraudulently billed Medicare + Kickbacks/Bribes for Referrals
<u>February 1, 2019</u>	\$ 1,990,000	Company	Fraudulently billed Medicare
<u>March 1, 2023</u>	\$ 2,100,000	Company	Insane Markup / "double and/or triple billed"
<u>October 1, 2023</u>	\$ 32,500,000	Company	Fraudulently billed Medicare
<u>July 1, 2020</u>			
	\$ 49,000,000	Company	improperly bill Medicare via Code-Stacking + Kickbacks
<u>August 1, 2023</u>	\$ 463,000,000		1 Kickbacks/Bribes for Referrals
<u>October 1, 2023</u>	\$ 67,000,000		1 Fraudulently billed Medicare
<u>August 1, 2019</u>	\$ 1,100,000		4 Kickbacks/Bribes for Referrals
<u>January 1, 2023</u>	\$ 107,000,000		3 Fraudulently billed Medicare + Kickbacks/Bribes for Referrals
<u>December 1, 2024</u>	\$ 67,000,000		1 Fraudulently billed Medicare
<u>June 1, 2024</u>	\$ 1,100,000,000	36	Fraudulently billed Medicare + Kickbacks/Bribes for Referrals
<u>July 1, 2022</u>	\$ 1,200,000,000	36	Fraudulently billed Medicare + Kickbacks/Bribes for Referrals
<u>July 1, 2024</u>	\$ 11,100,000	10	money laundering, and wire fraud schemes
<u>March 1, 2024</u>	\$ 30,000,000	1	Fraudulently billed Medicare + Kickbacks/Bribes for Referrals
Totals	\$ 4,831,790,000	128	

A review of DOJ settlements from the past six years related to fraudulent genetic testing reveals that the majority (71%) of cases involve kickbacks or bribes for referrals for unnecessary genetic tests. Often, these schemes involve telehealth companies and online counselors who persuade individuals to undergo genetic testing that is not medically justified or supported by clinical evidence.

One [prominent case involved Progenity Inc.](#), a provider of molecular and diagnostic tests. The company was charged with fraudulent billing practices and kickback schemes related to its use of billing codes that misrepresented the tests provided. Specifically, Progenity was found to be overbilling Medicaid and the Department of Veterans Affairs (VA) by using CPT code 88721, which corresponds to fluorescence in situ hybridization (FISH) procedures misrepresenting the services they actually provided. These procedures are reimbursed at higher rates, and Progenity ultimately settled with the DOJ for \$49 million while admitting to the wrongdoing.

One of the largest settlements came in June 2024, when 36 individuals were charged with Medicare fraud after submitting over \$1.1 billion in fraudulent claims to Medicare. The indictment revealed that these individuals had provided kickbacks and bribes to telemedicine companies, which employed genetic counselors to facilitate the ordering of unnecessary genetic tests. In one case, individuals involved in the fraud worked at a call center, targeting Medicare beneficiaries and convincing them to accept medically unnecessary genetic tests, which were subsequently billed to Medicare.

Enrique Perez-Paris, 47, of Aventura, Florida; **Diego Sanudo Sanchez Chocron**, 47, of Venice, California; **Gregory Charles “Milo” Caskey**, 57, of San Antonio, Texas; **Omar Palacios**, 34, of Miami, Florida; and **Nadir Perez**, 26, of Miami, Florida, were charged by superseding indictment with conspiracy to commit health care fraud, health care fraud, conspiracy to defraud the United States and to pay and receive health care kickbacks, and conspiracy to commit money laundering in connection with an alleged \$65 million scheme to bill health care benefit programs, including Medicare and the Health Resources and Services Administration COVID-19 Uninsured Program, for medically unnecessary and otherwise non-reimbursable COVID-19 and genetic testing. Palacios and Perez were also charged with receipt of kickbacks in connection with a federal health care program. As alleged in the superseding indictment, Perez-Paris, Sanchez, and Caskey owned Innovative Genomics, an independent clinical laboratory in San Antonio, Texas. Perez-Paris, Sanchez, and Caskey paid kickbacks and bribes to physicians and patient recruiters, including Palacios and Perez, to generate orders for COVID-19 and genetic testing that Innovative Genomics would use to support false and fraudulent claims for reimbursement. The defendants also caused health care benefit programs to be billed for COVID-19 testing that the Food and Drug Administration had not approved for emergency-use authorization. The defendants further caused Medicare to be billed for genetic testing that patients did not need, that was procured by payments made directly to physicians, and that Innovative Genomics did not process. Trial Attorney Reginald Cuyler Jr. of the Florida Strike Force is prosecuting the case. Assistant U.S. Attorney Marx Calderon of the U.S. Attorney’s Office for the Southern District of Florida is handling asset forfeiture.

Source: [2024 National Health Care Fraud Enforcement Action Summary of Criminal Charges](#)

Discussions with clinical geneticists and industry participants confirmed that the DoJ remains active, but slow, in addressing fraud within the genetic testing industry. There is widespread agreement that fraudulent practices, such as the pushing of unnecessary tests, continue to be a significant issue, and the DoJ is committed to keeping the industry clean from such abuses.

Mount Sinai Relationship With GeneDx Deteriorating After Months of Strain

- Mount Sinai is GeneDx’s second-largest shareholder and recently began selling tens of millions of dollars’ worth of shares, getting under the 10% reporting threshold.
- GeneDx/Sema4 leveraged its relationship with Mount Sinai to enhance its credibility with hospitals and secure additional contracts with existing clinics. A professional in the field remarked, “They’re still perceived as Mount Sinai, which grants them significant credibility, and this has considerable value in the industry.”
- The company’s relationship with Mount Sinai has deteriorated since the acquisition and name change from Sema4 to GeneDx in 2022. Following the acquisition, CEO Katherine Stueland spent a year shutting down several legacy Sema4 business divisions to a point where today, the company only derives 2% of its revenue from legacy Sema4 operations, which had royalties under the licensing agreements with Mount Sinai for specific tests that were ultimately discontinued.

According to multiple people who work in the genetics' field, the association with Mount Sinai, along with leadership under Eric Schadt, significantly bolstered the company's credibility during its early years. The company was able to leverage the Mount Sinai name, presenting itself to physicians and potential partners as "Mount Sinai Genomics, DBA Sema4," thus capitalizing on the reputation and relationships associated with Mount Sinai's established network, licenses, and technology.

One geneticist described it to us as them effectively saying, "We are Mount Sinai Genomics, we're not Sema4. We are Mount Sinai Genomics, DBA Sema4. And we came from Sinai, we're the same people, the same license, the same technology and methodology, and we should inherit the Sinai contract, from you guys."

Initially, Mount Sinai had agreed to provide the company with millions of patient records for use in the development of its AI platform, Centrellis. However, this platform proved to be far less advanced than the company had represented.

Furthermore, Mount Sinai facilitated the company's development by assigning a \$15.5 million loan from the Connecticut Department of Economic and Community Development, which was intended to support the company's genetic sequencing laboratory in Branford, Connecticut. This loan, granted in April 2016, predated the spinout by over a year. [In November 2022](#), the company decided to shut down this facility, leaving the remaining balance of the loan, valued at \$6.1 million, on its books.

In addition to the financial support, the GeneDx remained closely tied to Mount Sinai through various space license agreements, sublease agreements, and ongoing access to specific research, clinical, and development services. The company also licensed intellectual property from Mount Sinai, obligating it to make regular payments. Mount Sinai played a crucial role in several aspects of the company's operations.

In 2022, to curb operating losses, the company made significant organizational changes, including the dismissal of Eric Schadt and other original employees. The company also closed several testing labs and repaid grants provided by the state.

Following Katherine Stueland's appointment as CEO and GeneDx's acquisition by Sema4, the company began to phase out legacy Sema4 products, such as its reproductive health and oncology divisions. During this period, tests that generated royalties for Mount Sinai were discontinued, which is believed to be the start of the strained relationship between the two organizations, according to former employees.

According to the *Higashi v. GeneDx Holdings Corp.* (3:24-cv-00815) lawsuit, in late 2022, Mount Sinai began to restrict GeneDx's access to personal health information stored in its data. This move coincided with the Office for Civil Rights and the Substance Abuse and Mental Health Services Administration's issuance of a Notice of Proposed Rulemaking related to HIPAA regulations.

A former employee reported that management refused to explain the issue when inquiring about it. Shortly thereafter, CEO Katherine Stueland reportedly disclosed that

the fractured relationship with Mount Sinai had been discussed with the GeneDx Board of Directors.

From our reading of the situation, the tensions has culminated in Mount Sinai selling a significant portion of its holdings over the month of November: 1 million shares, or over a quarter of its total holdings. We note that the healthcare company is now [below the 10% ownership threshold](#), which now only requires it to report its total ownership on a quarterly basis.

We believe this is not an isolated incident and that GeneDx has been facing an internal morale issues for many years now, reading through employment reports on Indeed and Glassdoor showcase that many former employees are upset at the mass firings, reporting that individuals who are getting hired to replace some of these workers are all friends of CEO Katherine Stueland from Invitae.

**Anonymous employee**

Former employee, more than 3 years

✗ Recommend ✗ CEO approval ✗ Business outlook

Pros

Remote work - maybe? Not sure as many of us were "forced" to work long hours - e.g. weekends on software releases and working with off-shore devs (Europe / India) and west-coast colleagues

Cons

I really don't know where to start - Sema4 bought GeneDx without any apparent due-diligence, the platforms were tightly integrated with the legacy owner of the software, rather than figure out how to do this properly, management forced unrealistic timelines to get this completed. Sema4 tech management stayed away to ensure they weren't "blamed" for the mess. Middle managers at GeneDx were isolated and not supported - and took on many tasks that they were not responsible for to "get the job done". Once much of this was completed - there was a lot of Monday Morning QB - questioning decisions that the team made and reversing them 180. Nepotism is rife - Management from Invitae came in and have laid off the majority of GeneDx / Sema4 employees replacing them with their colleagues at Invitae - Come on seriously Matt, we can't all be bad employees. I realize it's easier to blame existing staff - but how about taking that huge amount of institutional knowledge and working with them. My new manager's style of management was to quote from Ted Lasso to me - don't get me wrong, I love the show - but seriously....

Advice to Management

Too late - you've fired everyone who knew about the legacy platforms - I genuinely hope the c-suite are never let near an organization again,



Helpful

Share



24

Source: <https://www.glassdoor.com/Reviews/Employee-Review-GeneDx-RVW81451489.htm>

**Clinical lab technician**

Former employee

✗ Recommend — **CEO approval** **✗ Business outlook****Pros**

Lots of different opportunities for learning useful things.

Work is very easy.

There are some decent people in and outside of the labs that work hard, and try there best.

Free food/snacks.

Cons

Management is all over the place. In my time there I had 3 different supervisors and none of them really knew who I was or what I did, or ever asked me anything that didn't amount to "I need this document from you".

There is no training schedule, you are trained whenever a "trainer" decides to train you. Communication between trainers and management is awful. Communication between trainers and yourself regarding training will most likely be dependent on things completely outside of your control.

They shared my resume with all of my co-workers which led to toxic interactions and annoying comparisons.

It's a very childish work environment.

Metrics aren't documented very well, and aren't a reliable indicator for growth/promotion. Those things come from good relationships w/management.

Company morale is plummeting. Between layoffs, terrible all-hands, and other internal things that I'm hesitant to comment on, it's pretty clear that the future of everyone employed is uncertain and shaky.

Advice to Management

I have nothing to offer you. Read the review and extract from that what you could do better.

Source: <https://www.glassdoor.com/Reviews/Employee-Review-GeneDx-E382258-RVW84413280.htm>

Cons

GeneDx is without a doubt, the worst company I have ever had the misfortune of working for. My experience there was a series of disappointments and frustrations, particularly following its acquisition by Sema4. About six months after the acquisition, nearly every Sema4 employee, including their officers, were fired as GeneDx reclaimed its name. This marked the beginning of the most chaotic and demoralizing period of my career.

From the outset, the lack of policies, tools to do your job, and direction was glaring. Employees were left in the dark about their roles, and many were told to abandon their positions and apply for other roles without any guidance or assurance to only be told they didn't get the position and they would be terminated.

Since this time, the company's leadership repeatedly has made false promises of stability, claiming there would be no more "large" layoffs, only to continue laying off/firing employees on a weekly basis. This created a toxic culture of fear and uncertainty that still exists today.

Micromanagement is rampant, casting a shadow over the work environment as employees live in constant fear of losing their jobs. Each week brings news of more talented colleagues being terminated. This instability is epitomized in the commercial organization, where the Chief Commercial Officer (CCO) fired the head of sales, took over the role herself and promoted two successful sales managers, then was fired soon after. Subsequently, the newly promoted sales managers were also fired, and a new head of sales was hired—likely to be fired soon all within less than a year. Additionally, there's been constant churn within other areas of the org. Notably, the entire sales training team either was fired or left, all within a couple months time. This is a theme across all areas of the business, and is the result of a poorly run company.

The prevalence of nepotism further exacerbates the toxic culture. Once a person is fired, they are replaced by an ex-Invitae employee, creating an environment where favoritism thrives and meritocracy is nonexistent. Leadership is horrendous, with no raises in AT LEAST the three years, reflecting the company's disregard for employee welfare and development.

In conclusion, GeneDx is a disastrously run company with a sickening culture and abysmal leadership. I would never recommend this company to anyone. It was the worst professional experience I have ever endured.

Source: <https://www.glassdoor.com/Reviews/Employee-Review-GeneDx-E382258-RVW88401363.htm>

1.0
☆☆☆☆

Terrible environment
Product Owner (Former Employee) - Stamford, CT - January 21, 2024

Terrible toxic environment with multiple rounds of layoffs. Management came in and terminated a lot of long standing employees- the place became so dysfunctional that the new management were fired, stay away

Was this review helpful?

Yes

No

 Report  Share

Source: <https://www.indeed.com/cmp/Genedx/reviews/terrible-environment?id=47edac9c814689b1>

GeneDx's Failed Centrellis Platform Misrepresented Capabilities, Lawsuit Alleges

- Centrellis, a big-data platform that was marketed as a revolutionary tool to “transform the disease diagnosis and treatment paradigm for patients, physicians, health systems, payors, and biopharma companies”, has been described as an elaborate illusion in a lawsuit.
- GeneDx CEO Katherine Stueland praised the platform following the business combination in May 2022, stating, “This is an incredible opportunity to create a data engine capable of delivering improved and personalized health insights, with our exome and genome as the backbone. This enables a unique offering not seen from any other company in this space.”
- Former employees assert that the Centrellis platform did not exist as marketed and that the company used it to position itself as a tech company, rather than a diagnostics company, to achieve a higher market valuation.
- The same former employee said that the company would have needed “billions of more dollars and many years of additional work before Centrellis would have been able to achieve its stated capabilities.”
- Centrellis was ultimately shut down after GeneDx was unable to secure commercial clients, with the company realizing that the platform was far from the capabilities outlined in its promotional materials.

Part of the key factor behind Sema4 going public was its AI health information platform, Centrellis, which was marketed as an all-encompassing tool. According to the company's 2022 [10-K](#), Centrellis was described as “a sophisticated data management and analytics engine” that could mine and analyze health data “across multiple therapeutic areas” using “state-of-the-art AI, probabilistic causal reasoning and machine learning approaches” to “construct predictive models” that would “transform the disease and diagnosis treatment paradigm for the entire healthcare ecosystem: patients, physicians, health systems, payors, and Biopharma companies.”

The acquisition of GeneDx was partly motivated by the wealth of clinical exomes data and annotated phenotypes that could enhance Centrellis. [As stated in a press release](#), “GeneDx’s leadership in rare disease diagnostics and exome sequencing brings more than 300,000 clinical exomes and over 2.1 million expertly annotated phenotypes to strengthen Sema4’s 12 million de-identified clinical records for Centrellis.”

However, as of today, the Centrellis platform appears to be absent from GeneDx’s website and marketing materials. A former vice president of operations revealed that Katherine Stueland, following her appointment as CEO, discontinued the project and terminated most of the team involved after they failed to secure any commercial clients.

Our investigation, which included former employee testimony, indicates that the healthcare platform did not possess the capabilities that management had promoted to investors. Several former employees expressed concerns about the discrepancy between the public statements made in press releases and earnings calls and the reality behind the scenes. One employee mentioned feeling uncomfortable with the company’s claims, noting that it could take GeneDx five more years to reach the level of functionality suggested by the marketing materials.

A lawsuit, [Helo v. Sema4 Holdings Corp. \(3:22-cv-01131\)](#), sheds light on additional challenges Sema4 faced in its efforts to develop the Centrellis platform. One of the major obstacles was the company’s inadequate understanding of the highly regulated nature of human health data usage. Without proper patient consent and adherence to relevant regulations, Sema4 could not leverage the health data it obtained from its health system partners.

According to former employees, the company lacked a regulatory department, which we were told is essential for navigating the complex landscape of personal health data. This gap in regulatory oversight was described as a significant issue by the former Chief Information Officer, who acknowledged that Sema4’s approach was “particularly immature.” LinkedIn research confirms that the company still lacks a dedicated regulatory department, which is crucial for ensuring compliance in the evolving field of health data monetization.

The former vice president of business development said in the lawsuit that their impression from working with former CEO Eric Schadt for over 4 years on finding ways to monetize Sema4’s data was that it was a “mad race to try to obtain Centrellis partnerships, hire as many skilled resources as possible, and build Centrellis so that it could use the data obtained through its partnerships, while at the same time, trying to raise enough cash to keep the Company going.”

They added that “though the company was able to obtain a substantial amount of human health data, ultimately, the data was unusable for Centrellis. Centrellis lacked the ability to utilize the data in a correct or appropriate way in accordance with its objectives,” and ultimately, the company failed to secure any sort of real commercial client.

We corroborate this statement with the former who worked closely with the team before they were let go, who told us that Centrellis “didn’t get any contracts, and it seems they just moved away from the platform.”

The business development Vice President further emphasized that, in their opinion, the company would require billions of dollars and several more years of work to achieve its objectives for Centrellis.”

The discontinuation of the Centrellis project and the subsequent laying off of the involved team members highlight significant challenges and shortcomings within the company. Despite initial promises, it became apparent that the AI health information platform was not delivering the capabilities that were marketed to investors and partners. The inability to secure commercial clients for Centrellis further evidenced the platform's shortcomings.

The internal struggles were compounded by the company's lack of regulatory compliance, which hindered the effective use of health data. Without proper patient consent and adherence to health data regulations, the data collected could not be leveraged as intended, rendering the platform ineffective in achieving its objectives. The absence of a dedicated regulatory department only exacerbated these issues, showcasing a critical gap in the company's approach to handling personal health data.

The experience with Centrellis reveals a pattern of over-promising and under-delivering, raising serious doubts about the company's current ability to produce a functional and commercially viable AI database. Former employees have consistently pointed out that the company would need significant time and financial investment to reach the levels of functionality and compliance that were initially promised. This historical failure casts a long shadow over any current claims of their capabilities in developing a robust AI database today.

GeneDx Lacks Any Competitive Edge, According to Clinical Geneticists

- One geneticist expressed concerns that genetic companies may be exaggerating the value of their datasets, stating, “they are often very guarded about their actual competitive advantages. Companies claim to outperform one another, asserting they offer better yields or superior bioinformatic pipelines, but none of them are willing to conduct large-scale clinical trials to validate these claims. Much of the data and evidence used to suggest superiority is subjective and lacks solid comparative foundation.”
- Another geneticist shared the view that most genetic tests are essentially identical, and no competitor has pricing power, with databases of previously sequenced genes serving merely as “bells and whistles.”

- Geneticists we interviewed highlighted publicly available government-run databases, such as ClinVar, which contains millions of sequenced genes accessible to the public.
- Several industry professionals noted that monetizing databases of previously sequenced genes would require significant time and resources.
- They also cautioned that whole genome and exome sequencing carries the risk of issues related to penetrance—the challenge of predicting whether an individual with a genetic variant will develop the associated genetic disorder—and the potential for false positives.

We believe that publicly accessible genetic databases, such as ClinVar and dbSNP, as well as subscription-based platforms, present a significant challenge to the monetization potential of GeneDx's genetic data. These biobanks, which house extensive genetic sequences, are often used by clinicians and genetic researchers for a variety of purposes.

We talked to numerous clinical geneticists and rare disease geneticists who downplayed the idea that GeneDx could successfully monetize their genetic data in any meaningful way. One geneticist said that she has “never seen peer-reviewed rigorous scientific data which has compared the diagnostic yield of Baylor vs. GeneDx” and that “I don't think there's anything convincing.”

They warned us that all these companies like to be very guarded about their competitive advantage in testing and potential monetization of their historical data.

Another clinical geneticist shared a similar viewpoint with us, stating that their team places little value on these sorts of databases and would prefer working with companies that focus on one or two specific tests so that they know “It's not just computerized algorithms predicting things.”

A recurring concern raised by clinical geneticists, professors, neurologists, and genetic testing residents was the issue of penetrance—the phenomenon where individuals may test positive for a genetic mutation but never develop or show symptoms of the associated disorder. One genetic resident explained it as follows: “If I were to sequence your DNA today and you appear to be a perfectly healthy individual—holding down a job, paying taxes, etc.—I would likely find between five and ten pathogenic variants in genes. These mutations could be linked to diseases, but you may never be affected, or if you are, it would be in such a mild form that it would not be clinically significant.”

To mitigate this issue, many experts agreed that testing both parents and children together provides a more comprehensive understanding of the family's genetics. However, this approach effectively triples the cost of whole genome or exome sequencing, and securing insurance coverage for the additional testing of parents is a significant challenge.

As one professional put it, “The costs related to penetrance remain high, and as a field, we have yet to find an effective solution.” Additionally, they expressed concerns about

the risks involved in informing a parent that their child or an adult has tested positive for a genetic condition that is either dormant or would never manifest clinically in their lifetime.

Active Insider Selling: CEO and CFO Plan to Sell Majority of Shares Under 10b5-1 Trading Plan

- CEO Katherine Stueland and CFO Kevin Feeley have never made any market purchases but are aggressively selling the shares they are granted almost immediately. If insiders are so keen to get rid of shares so quickly, how can investors be comfortable with holding GeneDx stock?

Katherine Stueland and Kevin Feeley have divested a majority of their holdings and are expected to sell additional shares over the coming year. In August, Both the CEO and CFO [implemented massive 10b5-1 trading plans](#), authorizing Katherine to sell up to 313,000 shares and Kevin up to 118,000 shares—exceeding their ownership at the time. Considering this is their first trading plan and they have held their roles for less than two years, the aggressive nature of these plans raises questions about the rationale behind such large trading programs by the two most senior executives.

Rule 10b5-1 Plan Adoptions and Modifications

On August 16, 2024, Katherine Stueland, our Chief Executive Officer, entered into a written plan for the potential sale of up to an aggregate of 312,808 shares of our Class A common stock, including shares underlying Ms. Stueland's restricted stock unit ("RSU") awards (the "Stueland 10b5-1 Plan"). The Stueland 10b5-1 Plan is intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act and will be effective from November 15, 2024 to October 30, 2025.

On August 21, 2024, Kevin Feeley, our Chief Financial Officer, entered into a written plan for the potential sale of up to an aggregate of 117,713 shares of our Class A common stock, including shares underlying Mr. Feeley's RSU and stock option awards (the "Feeley 10b5-1 Plan"). The Feeley 10b5-1 Plan is intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act and will be effective from November 21, 2024 to October 30, 2025.

According to the [company's proxy statement](#), as of April 15, 2024, their ownership stood at 115,642 and 41,595 shares, respectively, suggesting they intend to sell all shares acquired through their vesting RSUs. Which we can see from their [form 4's](#), is exactly what is happening.

Name of Beneficial Owners	Number of Shares of Class A Common Stock Beneficially Owned	Percentage of Outstanding Class A Common Stock
Named Executive Officers and Directors:		
Katherine Stueland ⁽¹⁾	115,642	*
Kareem Saad ⁽²⁾	29,517	*
Jason Ryan ⁽³⁾	188,394	*
Kevin Feeley ⁽⁴⁾	41,595	*
Eli D. Casdin ⁽⁵⁾	3,676,838	14.0%
Emily Leproust ⁽⁶⁾	169,190	*
Keith Meister ⁽⁷⁾	3,012,443	11.4%
Joshua Ruch ⁽⁸⁾	196,327	*
Richard Pfenniger, Jr. ⁽⁹⁾	21,183	*
All Executive Officers and Directors as a Group (9 Persons) ⁽¹⁰⁾	7,246,988	27.3%
5% Stockholders:		
Icahn School of Medicine at Mount Sinai ⁽¹¹⁾	3,732,633	14.3%
Entities affiliated with Casdin Partners Master Fund, LP ⁽¹²⁾	3,136,411	12.0%
Corvex Management LP ⁽¹³⁾	2,473,781	9.5%
OPKO Health, Inc. ⁽¹⁴⁾	3,558,601	13.6%
The Goldman Sachs Group, Inc. ⁽¹⁵⁾	1,823,737	7.0%

Since the adoption of their trading plans, Katherine has sold over 114,000 shares (and counting), generating approximately \$9.4 million, while Kevin has sold nearly 60,000 shares, generating approximately \$5 million. Notably, all their shares sold were from RSU grants, and there are no instances of these two making open market purchases even though their positions since August 2022.

Their recent selling activity has notably coincided with a 25% increase in the company's stock price, despite no material news. On January 7, 2024, SEC Form 144 filings disclosed their most recent transactions: Katherine sold [51,420 shares](#) at an average price of \$93.93 per share, generating \$4.8 million, while Kevin sold [35,506 shares](#) at an average price of \$94.07 per share, generating \$3.3 million.

With the company's stock options and RSUs vesting on a quarterly basis, we believe these two will continue to sell their shares until the LTIP is completed.

OPKO Health, Led by Notorious Microcap Fraudster Phillip Frost, Sells GeneDx to SEMA4 for \$330 Million, a Fraction of GeneDx's Market Cap Now

- GeneDx was acquired for approximately \$330m from OPKO Health, nearly one-seventh of the valuation today, which is associated with notorious microcap fraudster Phillip Frost
- GeneDx has shut down all legacy operations, leaving the acquired GeneDx as the core business. The company now valued at nearly 7 times the acquisition cost of GeneDx.

In [January 2022](#), Sema4 announced the acquisition of GeneDx from OPKO Health, presenting the deal as a transformative step to enhance its "AI-Driven Genomic and Clinical Data Platform." The announcement claimed that GeneDx's genomic testing and analysis capabilities would complement and strengthen Sema4's data platform, Centrellis. According to the press release, GeneDx's expertise in rare disease diagnostics and exome sequencing would contribute over 300,000 clinical exomes and 2.1 million annotated phenotypes, bolstering Sema4's existing 12 million de-identified clinical records.

Following completion of the acquisition, Sema4 will be optimally positioned to partner with health systems and biopharma companies to further transform the standard of care throughout the patient health journey. **GeneDx's leadership in rare disease diagnostic and exome sequencing services brings more than 300,000 clinical exomes and over 2.1 million expertly annotated phenotypes to strengthen Sema4's 12 million de-identified clinical records for Centrellis®**, its proprietary integrated health intelligence platform, and Traversa™, its comprehensive genomic analysis platform for optimizing health screenings. Sema4 plans to leverage this combined health information database to transform patient care and therapeutic development and enable precision medicine for all.

However, the company throughout the next two years would wind down these operations after being unable to secure significant contracts. Following the announcement of the completed acquisition, Katherine Stueland stated on a investor call "This acquisition by Sema4 is a perfect move at the perfect time. Our team has spent

years developing these capabilities, and they're an absolute complement to Sema4's approach."

All of this is the acquisition by Sema4 is a perfect move at the perfect time. Our team has spent years developing these capabilities and they're an absolute complement to Sema4's approach. Our combined data sets will strengthen each other, 1 on the Centrellis' platform. Our exome program accelerates Sema4's transition to using exome and ultimately genome as a 1 test that replaces all other panel testing. And our commercial strategy is a perfect fit to create continuity for clinicians and health systems alike as patients move from thinking about having a baby to parenting a child.

The company initially projected that the combined entity would achieve pro forma revenue of \$350 million in 2022, with \$215–\$225 million attributed to Sema4's standalone business and \$130 million from GeneDx. In reality, Sema4 generated only \$234 million in revenue for 2022 and reported a net loss of \$549 million for the year.

The [purchase price](#) for GeneDx included \$150 million in cash and 80 million shares (pre-1:33 reverse split), totaling \$322 million, with an additional \$150 million contingent on revenue milestones. GeneDx issued 700,000 shares (post-reverse split) to meet the first milestone but failed to achieve the second, bringing the total acquisition cost to approximately \$330 million.

Contingent Consideration (Legacy GeneDx)

In connection with the Acquisition, up to \$150.0 million of contingent payments was to be payable to OPKO Health, Inc. ("OPKO"), based upon achievement of 2022 and 2023 revenue milestones (the "Milestone Payments") pursuant to the merger agreement (the "Acquisition Merger Agreement"). The first Milestone Payment was paid out in full in April 2023 and the second Milestone Payment was valued at zero as the milestone was not met during fiscal year 2023.

During the three and nine months ended September 30, 2023, a gain of \$1.0 million and \$0.9 million, respectively, was recorded within the change in fair market value of warrant and earn-out contingent liabilities in the condensed consolidated statements of operations and comprehensive loss.

Given that the company subsequently shuttered nearly all of Sema4's legacy operations and currently derives only 2% of its revenue from those operations, it is unclear how investors can justify a valuation close to seven times the purchase price.

	Nine months ended September 30,					
	2024			2023		
	GeneDx	Legacy Sema4	Total	GeneDx	Legacy Sema4	Total
Revenue	\$ 207,007	\$ 2,803	\$ 209,810	\$ 136,269	\$ 8,879	\$ 145,148
Adjusted cost of services	77,992	145	78,137	81,357	2,305	83,662
Adjusted gross profit ⁽¹⁾	129,015	2,658	131,673	54,912	6,574	61,486
Reconciliations:						
Depreciation and amortization	3,119	—	3,119	3,322	113	3,435
Stock-based compensation	308	—	308	631	(1,971)	(1,340)
Restructuring charges	54	—	54	108	31	139
Gross profit	\$ 125,534	\$ 2,658	\$ 128,192	\$ 50,851	\$ 8,401	\$ 59,252

OPKO Health's CEO is notorious fraudster Phillip Frost, who was charged with manipulating ["the share price of the stock of three companies in classic pump-and-dump schemes"](#) by the Securities and Exchange Commission back in 2018 and [settled with in 2019 for \\$5.5 million](#).

Conclusion

GeneDx is, in our opinion, a terrible company whose secret ingredient is fraud. Multiple high-ranking formers went on record to attest to an active code stacking scheme that aims to defraud both private and public insurers. We estimate the impact of this fraudulent scheme to amount to approximately 25% of the company's revenue. It is consistent with the picture that insiders and whistleblowers told us about GeneDx operating an illegal and undisclosed network of counselors that drive traffic.

The company once praised its Centrellis database, using terms like “state-of-the-art AI.” Insiders, however, reveal it was merely a façade. We believe this is a precedent for the company's use case for AI technology going forward.

Pulling back the two main investment theses, GeneDx appears to be a genetic testing company operating within a highly competitive market and facing challenges in achieving profitability. We believe that once regulators, insurers, and investors become fully aware of the company's strategies, its prospects may diminish. The significant insider selling indicates potential concerns regarding fines and payor clawbacks.