



NEWS RELEASE

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As Part of National Health Care Fraud Takedown, Federal Prosecutors in Los Angeles Charge 14 Defendants in Fraud Schemes that Allegedly Cost Public Healthcare Programs nearly \$150 Million

LOS ANGELES – In the largest-ever health care fraud enforcement action by federal prosecutors, 14 defendants – including doctors, nurses and other licensed medical professionals – have been charged in the Central District of California for allegedly participating in health care fraud schemes that caused approximately \$147 million in losses.

The defendants charged locally are among hundreds of people charged across the United States in cases that cumulatively allege approximately \$1.3 billion in false billings. The nationwide sweep includes charges against more than 120 defendants – some of whom are doctors – who allegedly prescribed and distributed opioids and other dangerous narcotics.

In the Central District of California, 14 defendants were charged for their roles in schemes to defraud health insurance programs such as Medicare. The cases allege health care fraud and kickback schemes involving compounded drugs, home health services, physical therapy, acupuncture, Medicare Part D prescription drugs, diagnostic sleep studies and hospice care.

“Health care fraud schemes such as these threaten the vital trust between a patient and his or her health care provider, undermine the integrity of our health care system, and cost all Americans billions of dollars,” said Acting United States Attorney Sandra R. Brown. “Today’s announcement serves as a clear warning that we will continue to work with our law enforcement partners to identify and hold accountable health care professionals who commit these crimes.”

The defendants charged locally include four physicians, including Dr. Jeffrey Olsen, who was charged with illegally prescribing controlled substances, including the opiate oxycodone.

The 57-year-old Olsen surrendered to authorities on Tuesday after being indicted last week by a federal grand jury on 34 counts of illegally prescribing controlled drugs,

including oxycodone, and one count of false statement on a DEA registration application. Olsen, a resident of Laguna Beach, allegedly sold prescriptions to addicts and drug dealers in exchange for fixed cash fees, without any medical basis for the prescriptions.

During the investigation, Olsen also sold hundreds of prescriptions to addicts in other states, such as Oregon, without ever seeing the “patients” for an in-person examination. In text messages to these out-of-state customers, Olsen allegedly told customers that, in exchange for exorbitant fees as high as \$3,000, he would write prescriptions for whatever drug they wanted, and that he would never check whether they were actually taking the prescribed drugs or whether they were getting additional narcotic prescriptions from other doctors. Olsen allegedly sold more than 1.2 million pills of narcotics, which were almost entirely at maximum strength, in addition to hundreds of thousands of pills of other controlled drugs such as the sedatives Xanax and Soma. The case against Olsen is being prosecuted by Assistant United States Attorneys Ben Barron and Bryant Yang.

In another local case involving a physician, Dr. Thomas S. Powers and Anthony Paduano were arrested Tuesday on healthcare fraud charges that allegedly bilked TRICARE.

The indictment in this case alleges that Powers, of Santa Ana, authorized prescriptions for compounded medications for patients he never examined. Under an agreement, Paduano, of Newport Beach, allegedly paid Powers \$200 for each prescription. Paduano received approximately \$1.2 million for referring the prescriptions to a local pharmacy that billed TRICARE more than \$4.8 million and was paid more than \$3.1 million. This case is being handled by Assistant United States Attorneys Mark Aveis, Paul Stern and Cassie Palmer.

“Americans already struggling with health care issues and rising premiums are further burdened with each dollar lost to fraud,” said Deirdre Fike, the Assistant Director in Charge of the FBI’s Los Angeles Field Office. “The losses estimated in Los Angeles for this operation alone are staggering as the abundance of health care fraud schemes in southern California adds considerably to this nationwide crime issue. By collaborating with our partners, we will continue to hold accountable those who get rich by targeting federal health care programs with fraud.”

“Those who would enrich themselves through healthcare fraud – including billing for unnecessary services, accepting kickbacks, and billing for prescriptions that were never provided – are putting profits over patients, stealing from government health programs and taxpayers alike,” said Special Agent in Charge Christian Schrank, of the U.S. Department of Health and Human Services Office of Inspector General. “These operations show yet again our commitment to working with our federal and state law enforcement partners. In fighting this epidemic, we must all stand together.”

“IRS Criminal Investigation will not stand still while criminals line their pockets with illicit proceeds obtained from publicly funded health care programs,” said IRS Criminal Investigation Special Agent in Charge R. Damon Rowe. “It depletes scarce taxpayer dollars and will not be tolerated. IRS Criminal Investigation will continue to work with our federal and state law enforcement partners to bring justice to those individuals who prey on the nation's health care system for their own personal greed.”

“Our office, in partnership with our fellow investigative agencies, will continue to uncompromisingly investigate and bring to justice the people who perpetrate these criminal acts,” said Amtrak Inspector General Tom Howard. We will remain vigilant in protecting Amtrak employees, retirees, and their dependents, by ensuring our health care dollars are not wasted on fraudulent providers,”

“The Department of Labor – Employee Benefits Security Administration will continue to vigorously investigate wrongdoers committing health care fraud against employer sponsored health plans in Southern California which also impact TRICARE, Medicare, Medicaid” said Crisanta Johnson, DOL-EBSA’s Los Angeles Regional Office.

The other cases filed in federal court in Los Angeles as part of the nationwide sweep are:

- Aniceto Baliton, of Diamond Bar, co-owner and managing employee of Bliss Hospice in Glendora, was charged yesterday with one count of conspiracy to pay and receive illegal remunerations for health care referrals. The charge stems from Baliton’s role in a fraud scheme to pay kickbacks in exchange for Medicare beneficiaries referred to Bliss and billed by Bliss for hospice services. As part of the fraud scheme, Baliton and the co-owners of the hospice also agreed to generate cash for the illegal kickbacks by disguising such monies as payroll expenses. Based on the referrals that Baliton and his co-conspirators obtained through illegal kickbacks, Bliss submitted claims to Medicare and was paid approximately \$2.4 million. The case is being handled by DOJ Trial Attorney Claire Yan.
- Aleksandr Suris and Maxim Sverdlov, co-owners and operators of Royal Care Pharmacy in Los Angeles, were arrested Monday on charges related to a scheme that allegedly brought in more than \$41.5 million from Medicare and CIGNA. The indictment in this case charges Suris with two counts of conspiracy to commit health care fraud and 10 counts of health care fraud, and Sverdlov with one count of conspiracy to commit health care fraud and four counts of health care fraud. The defendants allegedly submitted fraudulent bills for prescription drugs that were never filled by the pharmacy or were not provided to the person to whom the drug was prescribed. The case is being handled by DOJ Trial Attorney Robyn N. Pullio.
- Dr. Kanagasabai Kanakeswaran was indicted late last month on one count of conspiracy to pay and receive kickbacks for health care referrals and four counts

of receiving kickbacks for health care referrals. The charges arise from a kickback conspiracy at a home health company called Star Home Health Resources. The owners and operators of Star allegedly paid kickbacks to referring physicians, including Dr. Kanakeswaran, in exchange for the physicians referring Medicare beneficiaries to receive home health services from Star. The indictment alleges that from May 2008 to May 2016, Star was paid \$4,157,311 from Medicare based on home health services that Dr. Kanakeswaran referred to Star in exchange for illegal kickbacks. The case is being handled by Assistant United States Attorney Alex Porter and DOJ Trial Attorney Claire Yan.

- Jamen Oliver Griffith and Damon Glover were charged late last month with conspiring to solicit, receive and pay illegal kickbacks for health care referrals. The charges stem from defendants' role in a scheme involving undisclosed payments for generating and steering prescriptions of compounded drugs to Valley View Drugs, Inc., a pharmacy located in La Mirada. As set forth in plea agreements that have been filed in court, Griffith and Glover owned and operated Western Medical Solutions, a "marketing" company that paid non-employee "marketers" to generate compounded drug prescription referrals for Valley View. Commission payments to "marketers" for prescription referrals were based on a percentage of the amount insurance companies reimbursed Valley View. Health insurers ultimately reimbursed Valley View \$13,860,083 for prescriptions generated by WMS-affiliated marketers. In turn, Valley View paid WMS approximately \$7,622,864 for the prescription referrals. The case is being handled by Assistant United States Attorney Ashwin Janakiram.
- Xiao "Kimi" Gudmundsen, a licensed acupuncturist and the owner of Healthy Life Acupuncture Center, Inc., which operated at two sites in Los Angeles and Riverside, was charged on June 22, with eight counts of health care fraud and three counts of money laundering. The charges arise from allegations that Gudmundsen recruited Amtrak employees to visit Healthy Life and then, among other things, billed the Amtrak health care plan for acupuncture and other services that were not actually provided. The indictment also charges that Gudmundsen laundered payments received from Amtrak for the false bills through various accounts, including accounts held in the names of relatives. Also charged in the indictment are Suzana Cortez, a Healthy Life employee (who faces five counts health care fraud) and Gladys Perez, an Amtrak employee (who faces two counts of health care fraud). This case is being handled by Assistant United States Attorney Poonam Kumar.
- James Chen pleaded guilty on June 19 to a health care fraud charge related to his pharmacy processing and billing TRICARE for approximately \$62 million for fraudulent prescriptions for compounded medications after Chen paid more than

50 percent in referral fees to marketers. The case is being handled by Assistant United States Attorneys Mark Aveis, Paul Stern and Cassie Palmer.

Indictments and criminal informations contain allegations that a defendant has committed a crime. Every defendant is presumed to be innocent until and unless proven guilty in court.

The cases from the Central District of California are the result of investigations conducted by the United States Department of Health and Human Services, Office of Inspector General; the Federal Bureau of Investigation; the Defense Criminal Investigative Service; the Drug Enforcement Administration; IRS Criminal Investigation; the Office of Personnel Management, Office of Inspector General; the Veterans Administration, Office of the Inspector General; the Department of Labor - Employee Benefits Security Administration; the California Department of Insurance, Fraud Division; the United States Postal Service, Office of the Inspector General; Amtrak's Office of the Inspector General; the California Board of Pharmacy; California's Department of Health Care Services; and the California Department of Justice.

The local cases were filed by Assistant United States Attorneys and Trial Attorneys with the Justice Department's Medicare Fraud Strike Force. The Strike Force operations are part of a joint initiative between the Department of Justice and HHS to focus their efforts to prevent and deter fraud and enforce current anti-fraud laws around the country.