OFFICE of INSPECTOR GENERAL
NATIONAL RAILROAD PASSENGER CORPORATION

Amtrak OIG-supported investigation leads to convictions in $1.4 billion health care fraud scheme involving rural hospitals

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JACKSONVILLE, Fla. — Two individuals were convicted on June 27, 2022, for their roles in a conspiracy that fraudulently billed approximately $1.4 billion for laboratory testing services in a pass-through billing scheme involving several rural hospitals, according to a Department of Justice press release.

According to court documents and evidence presented at a 24-day trial, Jorge Perez, 62, and Ricardo Perez, 59, both of Miami, conspired with each other and others to unlawfully bill for approximately $1.4 billion of laboratory testing services which were medically unnecessary, and that fraudulently used rural hospitals as billing shells to submit claims for services that mostly were performed at outside laboratories. Jorge Perez and Ricardo Perez were convicted of conspiracy to commit health care fraud and wire fraud, five counts of health care fraud, and conspiracy to commit money laundering of proceeds greater than $10,000.

Private insurance companies, including Amtrak's, paid out approximately $400 million between November 2015 through February 2018 for urine and blood tests that were medically unnecessary. Investigators from Amtrak's Office of Inspector General determined that Amtrak's health care plans paid out more than $610,000 to three rural hospitals and associated laboratories.

The evidence showed that the defendants targeted and obtained control of financially distressed rural hospitals in Florida, Georgia, and Missouri, through management agreements and purchases. These hospitals provide higher reimbursement rates for laboratory testing—a common feature of rural hospital contracts designed to ensure that the hospitals can survive and provide rural communities with care. The defendants promised to save these rural hospitals from closure by turning them into laboratory testing sites, but instead billed for fraudulent laboratory testing worth hundreds of millions of dollars in a years-long "pass-through" billing scheme. The scheme made it appear that the rural hospitals themselves did the laboratory testing when, in most cases, it was done by testing laboratories controlled by certain defendants.

Much of the laboratory testing billed through these rural hospitals involved urine drug testing for vulnerable addiction treatment patients, often obtained through kickbacks paid to recruiters and providers, frequently at sober homes or substance abuse treatment facilities. The tests billed by the defendants were often not medically necessary. After private insurance companies began to question the defendants' billings, they would move on to another rural hospital, leaving the rural hospitals they took over in the same or worse financial status as before. Three of the four rural hospitals targeted in the scheme closed shortly after the defendants moved on to a different rural hospital.

The defendants face a maximum penalty of 20 years for each of the health care fraud and wire fraud conspiracy and money laundering conspiracy counts, and 10 years for each substantive health care fraud count. The defendants will be sentenced at a later date.

In addition to the Amtrak Office of Inspector General, the case was investigated by the FBI's Jacksonville Field Office, the Office of Personnel Management OIG, and the Department of Labor Inspector General. Assistant U.S. Attorney Tysen Duva for the Middle District of Florida and Senior Litigation Counsel Jim Hayes and Trial Attorney Gary Winters of the Criminal Division's Fraud Section are prosecuting the case.

Reports of fraud, waste, or abuse; criminal or unethical acts affecting Amtrak's property or operations; or mismanagement in Amtrak programs or operations can be made 24 hours a day via the Amtrak OIG Hotline at 1-800-468-5469 or online at https://direc.to/hPAu.

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