

THE UNITED STATES ATTORNEY'S OFFICE
SOUTHERN DISTRICT *of* FLORIDA

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Department of Justice

U.S. Attorney's Office

Southern District of Florida

FOR IMMEDIATE RELEASE

Wednesday, March 15, 2017

Two Defendants Plead Guilty in Multi-Million Dollar Health Care Fraud and Money Laundering Scheme Involving Sober Homes and Alcohol and Drug Addiction Treatment Centers

Two owners of sober homes and alcohol and drug addiction treatment centers pled guilty for their participation in a multi-million dollar health care fraud and money laundering scheme that involved the filing of fraudulent insurance claim forms and defrauded health care benefit programs.

Benjamin G. Greenberg, Acting United States Attorney for the Southern District of Florida, George L. Piro, Special Agent in Charge, Federal Bureau of Investigation (FBI), Miami Field Office, Kelly R. Jackson, Special Agent in Charge, Internal Revenue Service, Criminal Investigation (IRS-CI), Dave Aronberg, State Attorney, Palm Beach County State Attorney's Office, Jeff Atwater, Florida Chief Financial Officer, William D. Snyder, Sheriff Martin County Sheriff's Office, Robert Koons, Special Agent in Charge, Amtrak Office of Inspector General, Rafiq Ahmad, Special Agent in Charge, United States Department of Labor, Office of Inspector General (DOL-OIG), Isabel Colon, Regional Director, United States Department of Labor, Employee Benefits Security Administration (DOL-EBSA), Dennis Russo, Director of Operations, National Insurance Crime Bureau (NICB), Ric Bradshaw, Sheriff, Palm Beach County Sheriff's Office (PBSO), Sarah Mooney, Chief, West Palm Beach Police Department, Jeffrey S. Goldman, Chief, Delray Beach Police Department, Pam Bondi, Florida Attorney General, and Scott Rezendes, Special Agent in Charge, Office of Personnel Management, Office of Inspector General (OPM-OIG), made the announcement.

Kenneth Chatman, a/k/a "Kenny," 46, of Boynton Beach, pled guilty to one count of conspiracy to commit health care fraud in violation of Title 18, United States Code, Section 1349; one count of conspiracy to commit money laundering in violation of Title 18, United States Code, Section 1956(h); and one count of sex trafficking conspiracy, in violation of Title 18, United States Code, Section 1594(c). Laura Chatman, 44, of Boynton Beach, pled guilty to two counts of making a false statement related to a health care matter, in violation of Title 18, United States Code, Section 1035(a)(1). Sentencings for the Chatmans are scheduled for May 17, 2017 at 10:00 a.m. before U.S. District Judge Donald M. Middlebrooks.

According to court documents, defendant Kenneth Chatman established a series of sober homes,

including Stay'n Alive, Inc., Total Recovery Sober Living LLC, and several other multi-bed residences operating as sober homes in Palm Beach and Broward Counties. These sober home facilities were purportedly in the business of providing safe and drug-free residences for individuals suffering from drug and alcohol addiction. Kenneth Chatman conspired with others to obtain patients who would receive ineffective and medically unnecessary substance abuse treatment and testing that could be billed to the patients' insurance in order to enrich Chatman and the members of the conspiracy.

To achieve this goal, defendant Kenneth Chatman paid kickbacks and bribes to the sober home owners for referring their residents to Reflections Treatment Center LLC in Margate, Florida and Journey to Recovery LLC in Lake Worth, Florida for treatment, and disguised these kickbacks and bribes as "case management fees," "consulting fees," "marketing fees," and "commissions." The co-defendants met with Kenneth Chatman on a weekly basis to collect their kickbacks and bribes, which were based on the number of insured patients that received treatment each week.

To obtain residents for the sober homes, defendant Kenneth Chatman and others involved in the conspiracy provided kickbacks and bribes, in the form of free or reduced rent and other benefits, to individuals with insurance who agreed to reside at the sober homes, attend drug treatment, and submit to regular drug testing that members of the conspiracy could bill to the residents' insurance plans. Although the sober homes were purportedly drug-free residences, some of the defendants permitted the residents to continue using drugs as long as they attended treatment and submitted to drug testing.

Defendants Kenneth and Laura Chatman submitted to the Florida Department of Children and Families fraudulent applications for licensure for Journey to Recovery and Reflections Treatment Center, stating that Laura Chatman was the sole owner of those entities and hiding the fact that Kenneth Chatman owned and operated the treatment centers and was a convicted felon and therefore unable to operate the facilities in his own name.

Defendant Laura Chatman appeared at Reflections and Journey for audits and inspections by DCF and other accrediting agencies to make it seem that she was the sole owner and officer of the companies. Defendant Laura Chatman also filed corporate documents and opened bank accounts in the name of Reflections and Journey to allow co-defendant Kenneth Chatman access to deposit proceeds from the health care fraud scheme and to conduct transactions meant to promote the scheme. Defendant Kenneth Chatman managed all aspects of these facilities including the hiring and firing of personnel; admitting and discharging patients and making financial decisions.

Defendant Kenneth Chatman dictated which patients were admitted and discharged and the type and frequency of different types of lab testing that would be performed based the kickbacks and bribes that he was receiving from different clinical laboratories rather than based upon the individual patients' needs. Kenneth Chatman dictated that confirmatory urine drug testing; duplicative saliva drug testing, DNA and allergy testing regardless of whether patients complained of allergies. These tests were medically unnecessary and not used to direct the treatment of patients. Many of the test results were never reviewed and new samples were submitted before older tests were received and reviewed.

Defendant Kenneth Chatman also recruited and coerced female patients and residents into prostitution, telling them that they would not have to pay rent or participate in treatment or testing so long as they would allow him to continue to bill their insurance companies for substance abuse treatment and testing that the patients did not receive.

Defendants Kenneth Chatman and other co-conspirators recruited, enticed, harbored, transported, provided, obtained, and maintained some female patients into performing commercial sex acts. The

defendant provided housing for the female patients, who would be made to perform sex acts in exchange for money that would then have to be paid to defendant Kenneth Chatman as “rent.” The commercial sex activity occurred at some of the sober homes controlled by the defendant or at hotels and motels. Kenneth Chatman provided condoms and advertised and caused the advertisement of the commercial sexual activity. Kenneth Chatman and other co-conspirators provided controlled substances to these addicted patients to induce them to perform sexual acts.

Kenneth Chatman also used intimidation tactics and threats of legal process, including evicting the patients from his sober homes to maintain their compliance. These patients were not required to attend treatment at Reflections or provide bodily fluid samples for testing but he submitted and caused the submission of claims to the patients’ Insurance Plans for substance abuse treatment and testing that they did not receive.

Kenneth Chatman further maintained control over patients who attended Reflections and Journey by threats and confiscating their belongings, car keys, telephones, medications, and food stamps, in order to maintain the ability to continue billing their Insurance Plans.

The proceeds of the health care fraud scheme were deposited into bank accounts that Kenneth Chatman and co-defendant Laura Chatman opened at Wells Fargo Bank in the name of Reflections and Journey. Kenneth Chatman and the co-conspirators agreed to use the proceeds to promote the ongoing fraud scheme including the making of kickback and bribe payments in the form of checks to sober home owners. These checks were for the referral of insured clients to Reflections for treatment and often noted that they were for “case management.” Kenneth Chatman, Laura Chatman and their co-conspirators also made payments to the medical directors, clinical directors, employees and others to continue their involvement with the fraud. Monies from these accounts were also used to pay kickbacks and bribes to patients, including providing prescription and illicit drugs to patients and potential patients.

Potential victims should call (561) 822-5114 or submit complaints through the IC3 Complaint Form - <https://www.ic3.gov/complaint/default.aspx> and use the key word “Chatman Reflections” in the “Description of the Incident” field when submitting complaints related to this case.

Greenberg commended the investigative efforts of the Greater Palm Beach Health Care Fraud Task Force. Agencies of the task force include the FBI, IRS-CI, the Palm Beach County State Attorney's Office Sober Homes Task Force, Florida Division of Investigative and Forensic Services, Martin County Sheriff's Office, Amtrak OIG, DOL-OIG, DOL-EBSA, National Insurance Crime Bureau, Palm Beach County Sheriff's Office, West Palm Beach Police Department, Delray Beach Police Department, Florida Attorney General Office of Statewide Prosecution, and OPM-OIG. The cases are being prosecuted by Assistant United States Attorney A. Marie Villafaña.

A copy of this press release may be found on the website of the United States Attorney’s Office for the Southern District of Florida at <http://www.usdoj.gov/usao/fls>. Related court documents and information may be found on the website of the District Court for the Southern District of Florida at <http://www.flsd.uscourts.gov> or on <http://pacer.flsd.uscourts.gov> at <http://www.usdoj.gov/usao/fls>.

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Topic:

Healthcare Fraud

