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Department of Justice

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Southern District of Florida

FOR IMMEDIATE RELEASE

Wednesday, April 26, 2017

Four Defendants Sentenced to Prison in Multi-Million Dollar Health Care Fraud Scheme Involving Sober Homes and Alcohol and Drug Addiction Treatment Centers

Four defendants, including two sober home owners, the clinical director of a substance abuse treatment center, and a sales representative for multiple diagnostic laboratories were sentenced to prison for their participation in a health care fraud scheme that involved the filing of fraudulent insurance claim forms and licensing documentation.

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), Bryan Kummerlen, 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.

Fransesia Davis, a/k/a "Francine," a/k/a "Francesa," 44, of Lake Worth, was sentenced to 84 months in prison, to be followed by one year of supervised release. Michael Bonds, 45, of Delray Beach, was sentenced to 48 months incarceration, to be followed by three years of supervised release. Stefan Gatt, 27, of Deerfield Beach, was sentenced to 18 months in prison, to be followed by three years of supervised release. The defendants previously pled guilty to one count

of conspiracy to commit health care fraud, in violation of Title 18, United States Code, Section 1349. Davis also pled guilty to one count of managing, leasing, profiting from, and making available a place (one of her sober homes) for the purpose of the unlawful distribution and use of controlled substances, in violation of Title 21, United States Code, Section 856(a).

In a separate but related case, Licensed Mental Health Counselor Dr. Barry Gregory (case no. 9:17-cr-80033-DMM), 62, of Wellington, was sentenced to 57 months in prison, to be followed by 3 years of supervised release. Gregory previously pled guilty to one count of conspiracy to commit health care fraud and one count of knowingly falsifying a matter involving health care benefit programs, in violation of Title 18, United States Code, Sections 1035(a)(1) and 2.

Sentencing is scheduled for May 17, 2017 for co-defendants Kenneth Chatman, a/k/a "Kenny," 46, of Boynton Beach, and Laura Chatman, 44, of Boynton Beach. Sentencing is scheduled for June 7, 2017 for Donald Willems, 40, of Weston. A hearing regarding restitution for all defendants will occur on July 7, 2017. Trial is scheduled for September 5, 2017 for defendant Joaquin Mendez, 52, of Miramar.

According to court documents, defendants Kenneth Chatman, Davis, and Bonds established sober homes, including Stay'n Alive, Inc., Redemption Sober House, Inc., Total Recovery Sober Living LLC, and other sober homes, which were purportedly in the business of providing safe and drug-free residences for individuals suffering from drug and alcohol addiction. To obtain residents for the sober homes, members of 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, Chatman, Davis, and Bonds permitted the residents to continue using drugs as long as they attended treatment and submitted to drug testing.

Defendants Kenneth Chatman, Bonds, and Davis referred the sober homes' residents who had insurance to treatment centers owned by Kenneth Chatman but titled in the name of Laura Chatman. These treatment centers purportedly offered clinical treatment services for persons suffering from alcohol and drug addiction. In most instances, defendant Kenneth Chatman knew that the sober home residents referred to the treatment centers, Journey to Recovery LLC, in Lake Worth, Florida, and Reflections Treatment Center, LLC, in Margate, Florida, were using drugs. Defendant Gregory was the Clinical Director of Reflections Treatment Center and Journey to Recovery, and was responsible for supervising clinical services, including regularly reviewing the work performed by subordinate employees. Gregory was aware that Kenneth Chatman was the true owner of some of these sober homes, but they were placed in other people's names in an attempt to hide Chatman's true ownership and control over the businesses. Gregory also knew that Chatman was paying kickbacks and bribes to sober home owners for referring their residents to Reflections and Journey for treatment, and that these kickbacks and bribes were disguised as "case management fees," "consulting fees," "marketing fees," and "commissions." Bonds, Davis, and Gregory further admitted that bribes and kickbacks were paid to insured patients who attended treatment, in the forms of free or reduced rent and other items. Bonds and Davis also admitted that residents of their sober homes were continuing to use controlled substances and that their sober homes were not, in fact, places where persons abstained from the use of drugs and alcohol. Rather, the defendants allowed their sober homes to be used by

residents to continue abusing drugs and alcohol while attending ineffective and improperly licensed treatment centers in exchange for free rent.

Defendant Kenneth Chatman hired doctors, including defendants Mendez and Willems, to serve as medical directors of his treatment centers. The doctors ordered drug treatment and drug testing for the sober home residents, specifically expensive urine and saliva drug screens and allergy testing, regardless of whether such treatment and testing were medically necessary. The defendants provided services meant solely to maximize insurance reimbursements. In some instances, defendants Kenneth Chatman and Davis submitted urine and saliva samples from employees instead of urine and saliva from patients. In other instances, defendant Kenneth Chatman caused confirmatory testing to be performed and billed for residents who left the sober homes and were no longer receiving treatment at the treatment centers. Defendants Mendez and Willems also falsely documented patient files to make it appear as though they reviewed the test results. Defendant Gatt admitted that he knew the bodily fluid samples that he collected from Reflections came from employees and that he paid kickbacks to Chatman for Chatman to continue referring lucrative lab testing to him. Defendant Gregory admitted that the drug testing was “useless” because it was not used to direct the patients’ treatment and that as many as 90% of patients were testing positive for the continued use of controlled substances while purportedly obtaining treatment. Gregory knew that Kenneth Chatman was advising patients that they were allowed to continue using controlled substances. On some occasions when Gregory recommended referring relapsed patients to detox or other facilities, Chatman, who had no medical or clinical training, would overrule Gregory’s recommendations because discharging the patients would end Chatman’s ability to bill the patients’ insurance plans.

Defendants Kenneth Chatman and Davis engaged in various tactics to keep patients from being able to leave Reflections and Journey, including threatening violence, and confiscating their belongings, such as car keys, telephones, medications, and food stamps, in order to maintain the ability to continue fraudulently billing their insurance companies.

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 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. Gregory, who also owned a consulting firm that assisted substance abuse treatment facilities in obtaining licensure, filed documents with the Florida Department of Children and Families and assisted with audits to help Chatman receive permanent DCF licenses for Reflections and Journey.

Mr. 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 Villafañá.

Related court documents and information may be found on the website of the District Court for the Southern District of Florida at www.uscourts.gov or on <http://pacer.flsd.uscourts.gov>.

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Topic:

Healthcare Fraud

Updated April 26, 2017