THE FBI FEDERAL BUREAU OF INVESTIGATION

New York Field Office

Twenty-Four Defendants Charged in Health Care Billing Scams that Defrauded Insurance Companies, Medicare, and Medicaid Out of Millions of Dollars

Doctors, Medical Clinic Employees, Medical Equipment Suppliers, "Runners," and Patients Are Arrested

U.S. Attorney's Office **Southern District of New York**
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PREET BHARARA, the United States Attorney for the Southern District of New York, JANICE K. FEDARCYK, the Assistant Director in Charge of the New York Office of the Federal Bureau of Investigation ("FBI"), RAYMOND W. KELLY, the Police Commissioner of the City of New York ("NYPD"), THOMAS O'DONNELL, the Special Agent in Charge of the New York Office of the Inspector General, Department of Health and Human Services ("HHS"), and BENJAMIN M. LAWSKY, the Superintendent of the New York Department of Financial Services ("NY DFS"), announced today the unsealing of three separate Indictments, charging 24 defendants with health care fraud. Two of the indictments charge a total of 22 defendants with participating in fraudulent billing scams that caused no-fault insurance carriers to pay out millions of dollars in reimbursements for medical treatments that were never provided to patients or that were medically unnecessary. Among the individuals charged today are (i) doctors who faked ownership of medical clinics located in Brooklyn and Queens to conceal that the clinics' true owners and operators were non-medical professionals; (ii) these same "front" doctors and other medical practitioners and clinic employees who caused the submission of fraudulent bills to insurance companies for treatments that were not medically necessary, that were not provided at all, and/or that were not provided as billed; (iii) "runners" who were paid to recruit patients to the clinics; and (iv) patients who faked and exaggerated their injuries from automobile accidents, and who received coaching from the clinics' employees about their supposed injuries. The third indictment unsealed today charges two operators of a medical supply company with orchestrating a billing scam targeting Medicare and Medicaid in which the defendants allegedly forged doctors' signatures and prescriptions to support fraudulent billings to Medicare and Medicaid for millions of dollars in durable medical equipment—such as motorized wheelchairs—that was never supplied to patients.

Twenty-two of the 24 charged defendants were taken into custody this morning and were arraigned in Manhattan federal court this afternoon. One defendant, RUBIN KAYKOV, has previously been arrested on a complaint. The last defendant, ILYA SLEPAK, remains at large. Six search warrants were executed and 10 accounts were frozen in connection with today's arrests.

Manhattan U.S. Attorney PREET BHARARA said: "As alleged, these defendants engaged in a massive fraud that pervaded every aspect of the no-fault insurance industry—faking injuries, bills, and even accidents—that defrauded private insurers, Medicare, Medicaid, and ultimately taxpayers, out of millions of dollars. The breadth and brazenness of their alleged scheme is virtually unparalleled, and illustrates the perniciousness of the health care fraud problem. Today's arrests should send a clear message that we are working in lockstep with our law enforcement partners to eradicate this problem and to punish those responsible."

FBI Assistant Director in Charge JANICE K. FEDARCYK said: "The charges alleged in today's indictments describe a growing epidemic that exploits private and public insurers and the people they insure. Health care fraud is often mistaken for a victimless crime, but it victimizes insurers directly and the insured and others indirectly. Those who employ these schemes will most certainly be brought to justice."

NYPD Commissioner RAYMOND W. KELLY said: "The individuals arrested today used elaborate schemes to bilk the health care system of millions of dollars through Medicare claims for procedures that in some cases were never performed. I commend the members of the Task Force including the NYPD detectives, federal agents, and prosecutors from the U.S. Attorney's Office for getting to the bottom of this deceitful practice."

HHS-OIG Special Agent in Charge THOMAS O'DONNELL said: "Forging prescriptions and billing health programs for medical services never provided are crimes taxpayers cannot tolerate. We will aggressively pursue and prosecute anyone scheming to profit from health benefit programs intended for the most vulnerable Americans."

Superintendent of Financial Services BENJAMIN LAWSKY said: "No-fault fraud is an epidemic in our state driving up the cost of insurance for honest New Yorkers and requiring us to find new, innovative

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ways to stamp it out. The Department of Financial Services was pleased to work closely with our partners on the Health Care Task Force on this case and will continue to make this a priority. I would like to thank U.S. Attorney Preet Bharara and his team, the FBI, and our other law enforcement partners for their excellent work on this case."

The No-Fault Fraud "Mills"

Vehicles registered in New York State are required to have no-fault automobile insurance, which enables the driver and passengers of the vehicle to obtain benefits of up to $50,000 per person for injuries sustained in a car accident, regardless of fault. Injured vehicle occupants can assign their right to reimbursement from an insurance company to medical clinics that provide treatment for their injuries, thus allowing the medical clinics to bill the insurance company directly for services rendered. At all relevant times, New York State law required that medical clinics be owned and operated by licensed medical professionals, and forbade medical professionals from sharing the fees for medical services with a non-medical business or nonmedical professional.

In two of the indictments unsealed today—*United States v. Smirnov, et al.*, (the "Smirnov Indictment") and *United States v. Leonid Kaplan, et al.*, (the "Kaplan Indictment")—the defendants are charged with participating in schemes that bilked no-fault insurance companies out of millions of dollars through fraudulent billings generated and submitted by medical clinics located at 900 Lenox Road, in Brooklyn ("the Lenox Clinic"); 60 West End Avenue, in Brooklyn; 2546 E. 17th Street, in Brooklyn; and 133-33 Brookville Boulevard in Rosedale, Queens (collectively, "the Clinics").

As part of the charged schemes, the "runners" received cash payments in return for recruiting patients to the Clinics. The runners found patients by, among other means, using radio scanners to locate accidents; paying corrupt hospital employees to disclose personal identifying information of occupants of vehicles that had been involved in collisions—and then contacting those patients, purporting to be calling under a hospital's auspices, and directing the patients to report for treatment to one of the Clinics; paying tow truck operators to refer occupants of vehicles that had been involved in collisions; or staging accidents.

The "patients" of the Clinics, who typically, had suffered little or no injury from auto accidents, were directed to undergo weeks or months of medically unnecessary treatments and tests, including acupuncture, physical therapy, aquatic therapy, biofeedback training, chiropractic adjustment, and medical resonance imaging scans ("MRIs"). Patients were urged to report to the Clinics for a certain number of treatments, and were coached on how to describe their purported injuries if questioned by insurance companies. The patients allegedly participated in the scheme in return for cash payments or in return for the prospect of substantial monetary settlements based on bogus legal claims alleging that they had suffered serious bodily injury in the accidents. For example, as alleged in the Kaplan Indictment, one patient was told s/he could make up to $25,000 by reporting for medical treatment several times a week for several months at the Rosedale, Queens clinic.

When patients failed to show up for the treatments, Clinic employees allegedly forged documents and patient signatures to make it appear, falsely, that patients had received the treatments that they in fact never received. In some instances, the patients were not even in the country at the time of their purported treatments. The Clinics then fraudulently sought, and obtained, millions of dollars in reimbursements from no-fault insurers for the purported treatments.

As alleged, the Clinics were operated by non-medical professionals in violation of New York State law. To conceal this fact from state authorities, medical doctors were recruited to "front" as the purported owners of the Clinics, when they were in fact merely salaried employees who took direction from the non-medical employees running the Clinics. One such doctor, defendant DAVID LEE HSU, was allegedly recruited in 2009 to be the nominal purported physician-owner of the Lenox Clinic, in Brooklyn, after the prior nominal physician-owner was twice suspended from the practice of medicine. The defendants also changed the names or locations of the Clinics, at various times, to avoid detection of the fraud by insurance companies or law enforcement.

The Clinic managers and employees coached patients on how to describe their injuries and treatment if questioned. In one example, described in the Smirnov Indictment, a patient of the Lenox Clinic turned to the Clinic managers for help after she was summoned to give sworn testimony about her injuries. (This procedure is known as an "Examination Under Oath," which allows the insurance provider to question the patient about purported treatments for which the insurer had been billed.) That patient, defendant IRENE TODD, was so unsure of the nature and extent of her purported injuries, that she needed the Clinic managers to coach her on what her purported injuries were, who her doctors at the Clinic were, and how often she came to the Clinic for treatment. When TODD asked, "Do I still come three times a week or is it just two," she was allegedly instructed: "You come three times a week because your back really hurts." Likewise, when TODD asked "what should I say got better" as a result of the treatments billed by the Clinic, TODD was told to reply that her neck was a little better.

The Smirnov Indictment charges 12 defendants associated with the Lenox Clinic, including two Clinic managers—ALLA SMIRNOV and MARINA BLUVSTEIN; one Clinic employee—SERITTA KLASS; two medical practitioners—DAVID LEE HSU, a medical doctor, and DANETTE STEFANELLI, a licensed chiropractor; three "runners"—STEVEN PARCHMENT, RODNEY TERRY, and RUSTY MOORE; and four patients—PATRICIA MURRAY, KAREN MURRAY, PAULA PHILLIP, and IRENE TODD.

The Kaplan Indictment charges 10 defendants associated with the other above-mentioned medical clinics (located in Brooklyn and Queens), including four managers—LEONID KAPLAN, ILYA SLEPAK, BORIS GASILO, and ABRAHAM PINKHASOV; two clinic employees—TATYANA USYK and JASODA RAMOUTAR; three medical practitioners—LESLIE DANTES THEODORE and VADIM MILORADOVICH, both medical doctors, and KHALIKA AYESHA ROWE, a licensed chiropractor; and one runner—LARRY CANTRELL.

The Medical Supplier Fraud Scheme

The third indictment unsealed today, *United States v. Rubin Kaykov, et al.*, ("the Kaykov Indictment"), charges RUBIN KAYKOV and ROMAN BORTNIK with systematically defrauding Medicare and Medicaid of millions of dollars through a billing scheme operated through their medical supply company, "Triangle 'R' Inc." ("Triangle R"). The defendants allegedly billed Medicare and Medicaid for costly medical equipment, such as motorized wheelchairs, that was never actually provided to patients, or that was far more expensive than the lower-cost and lower-quality equipment in fact provided to patients.

As a part of the scheme, KAYKOV and BORTNIK, and their co-conspirators, allegedly prepared fraudulent documentation that appeared to legitimize their billings to Medicare and Medicaid, including hundreds of forged and phony medical prescriptions. Using stolen or counterfeit physicians' prescription pads, the defendants and their co-conspirators forged prescriptions and physician signatures to support their bogus reimbursement claims. Those bogus prescriptions bore physician license numbers and contained additional personal identifying information for the physicians. The defendants and their co-conspirators also, at times, forged the signatures of patients, and fraudulently altered documentation relating to those patients.

All 24 defendants are charged with conspiracy to commit health care fraud and mail fraud, which carries a maximum sentence of 20 years in prison. KAYKOV and BORTNIK are also charged with health care fraud, which carries a maximum sentence of 10 years in prison and aggravated identity theft which carries a mandatory two-year sentence to run consecutive to the sentence imposed for any other offenses. The government also seeks forfeiture of all defendants' ill-gotten gains from the charged schemes. U.S. Attorney PREET BHARARA praised the FBI, NYPD, HHS, and NY DFS for their outstanding work in the investigation, which he noted is ongoing. Mr. BHARARA also thanked the National Insurance Crime Bureau for its assistance in the investigation.

Assistant U.S. Attorneys E. DANYA PERRY and ROSEMARY NIDIRY, of the Office's Complex Frauds Unit, are in charge of the prosecution. Assistant U.S. Attorney SARAH KRISSOFF, of the Office's Asset Forfeiture Unit, is responsible for the forfeiture-related matters.

The charges contained in the indictments are merely accusations and the defendants are presumed innocent unless and until proven guilty.

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