Defense Health Agency

Program Integrity Division Operational Report

January 1, 2019
through December 31, 2019

"Guarding the Health Care of Those Who Guard Us"

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Defense Health Agency

Program Integrity Division

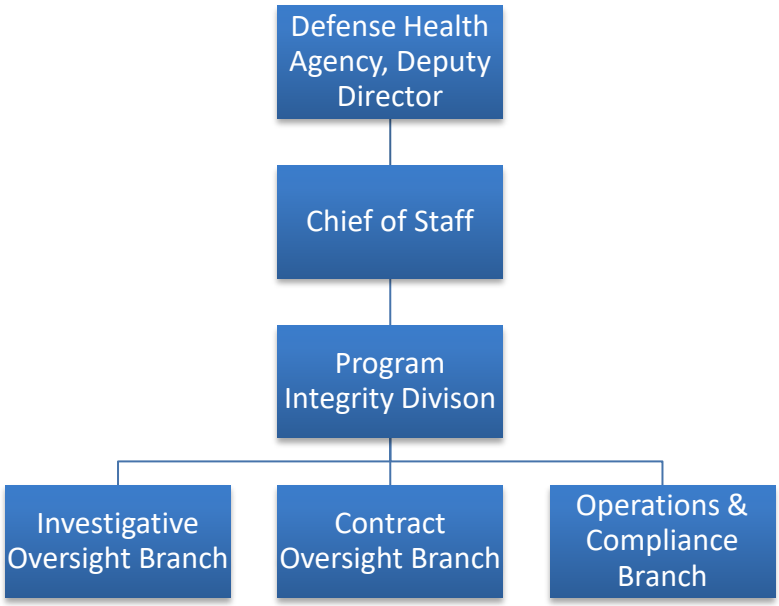
Mission

Our mission is to manage healthcare anti-fraud and abuse activities for the Defense Health Agency to safeguard beneficiaries and protect benefit dollars. The Program Integrity Division develops and executes anti-fraud and abuse policies and procedures, provides oversight of contractor program integrity activities, supports and coordinates investigative activities, develops cases for criminal prosecutions and civil litigations, and initiates administrative measures.

Vision

Our vision is to ensure the Defense Health Agency and its contractors have an effective healthcare anti-fraud program in place that can be considered a model of excellence for the industry, ensure high quality health care for beneficiaries and protect benefit dollars.

Organization



Section 1.0 Defense Health Agency, Program Integrity Division – General

On 1 October 2013, the Department of Defense (DoD) established the Defense Health Agency (DHA) to manage the activities of the Military Health System (MHS). These activities include those previously managed by TRICARE Management Activity, which was disestablished on the same date.

As a Combat Support Agency, the DHA leads the MHS integration of readiness and health to deliver the Quadruple Aim: improved readiness, better health, better care and lower cost. The DHA takes care of 9.6 million DoD beneficiaries comprised of Uniformed Service members, retirees and their families. The TRICARE benefit brings together the worldwide health care resources of the Uniformed Services (often referred to as “direct care”) and supplements this capability with network and non-network civilian health care professionals, institutions, pharmacies, and suppliers (often referred to as “purchased care”).

The DHA Program Integrity Division (PID) is responsible for healthcare anti-fraud activities to protect benefit dollars and safeguard beneficiaries. This includes both the purchased care and direct care settings. DHA PID develops and executes anti-fraud and abuse policies and procedures, provides oversight of contractor program integrity activities, supports and coordinates investigative activities, develops cases for criminal prosecution and civil litigation, and initiates administrative measures.

DHA PID is part of the DHA Special Staff and reports directly to the DHA Chief of Staff. This reporting structure facilitates DHA PID’s anti-fraud activities. Because of the nature and scope of the work performed by DHA PID, its reporting line is separate and distinct organizationally from the day-to-day operational activities of other departments to avoid the appearance or potential of undue influence or conflict of interest.

Recognizing the importance of sharing information with the investigative community, DHA PID (often a presenter) regularly attends task force meetings, information sharing meetings, and healthcare anti-fraud

meetings. These meetings foster collaborative anti-fraud efforts across government agencies and private organizations. DHA PID utilizes this actionable national law enforcement intelligence in the DHA Program Integrity Health Care Fraud Risk Assessment Program to identify the most significant risks that may negatively affect quality of care and TRICARE Program financial resources. The Risk Assessment Projects are systemic fraud reviews to identify "Root Cause(s)" of the fraud, system and policy weaknesses, which are then shared with each relevant functional entity to mitigate these fraudulent and abusive activities.

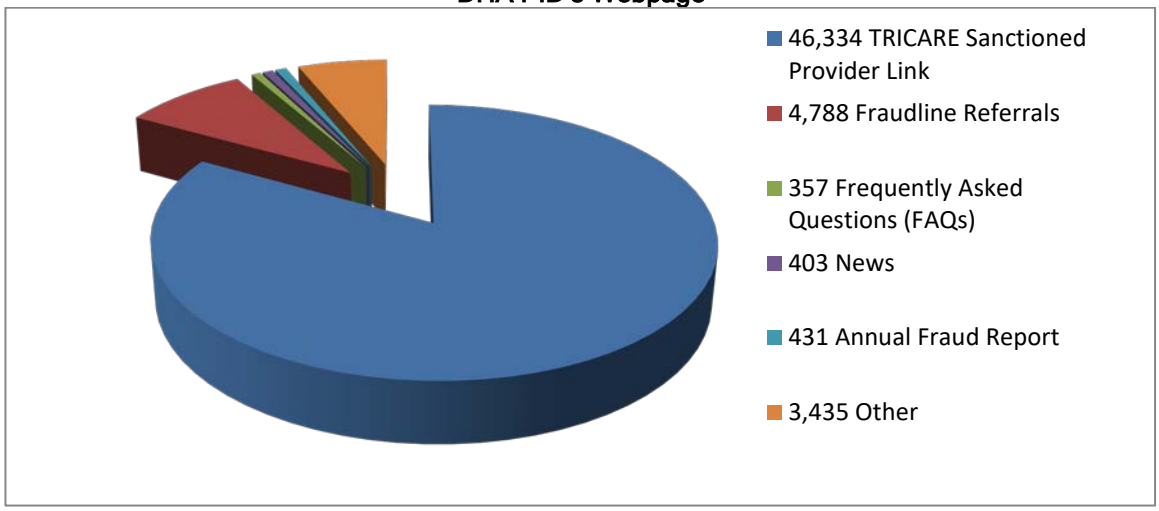
Through a Memorandum of Agreement, DHA PID refers its fraud cases to the Defense Criminal Investigative Service (DCIS). DHA PID also coordinates investigative activities with Military Criminal Investigative Offices (MCIOs), as well as other federal, state, and local agencies. DHA PID provides technical assistance, subject matter expertise, and support to U.S. Attorney Offices (USAOs), law enforcement agencies, and others in developing cases for criminal prosecution, civil litigation and/or settlements. This includes providing witness testimony related to the TRICARE program and its range of benefits. This support is continuous and ongoing throughout the investigative, settlement, and/or prosecutorial phases of cases.

In addition to saving and recovering benefit dollars, DHA PID actions contribute to patient safety. In the course of investigations, DHA PID may become involved in coordinating notification alerts for beneficiaries who may have potential exposure arising from re-use of syringes, the use of single dose vials of medication on multiple patients, watering down of immunizations, dilution of chemotherapy solutions, and other such potentially harmful situations.

1.1 DHA PID's Fraud and Abuse Website

In 2019, DHA PID's homepage which is located at www.health.mil/fraud continued to experience public significant access. There were 55,748 visits on DHA PID's homepage during 2019. Our most popular feature was our listing of Sanctioned Providers with 46,334 page views. Fraudline Referrals identifying alleged fraudulent or abusive activities may be reported through the above homepage directly to the DHA PID Office by clicking the "Report Health Care Fraud" button. During 2019 a total of 4,788 Fraudline Referral visits were made to the DHA PID through our homepage.

DHA PID's Webpage

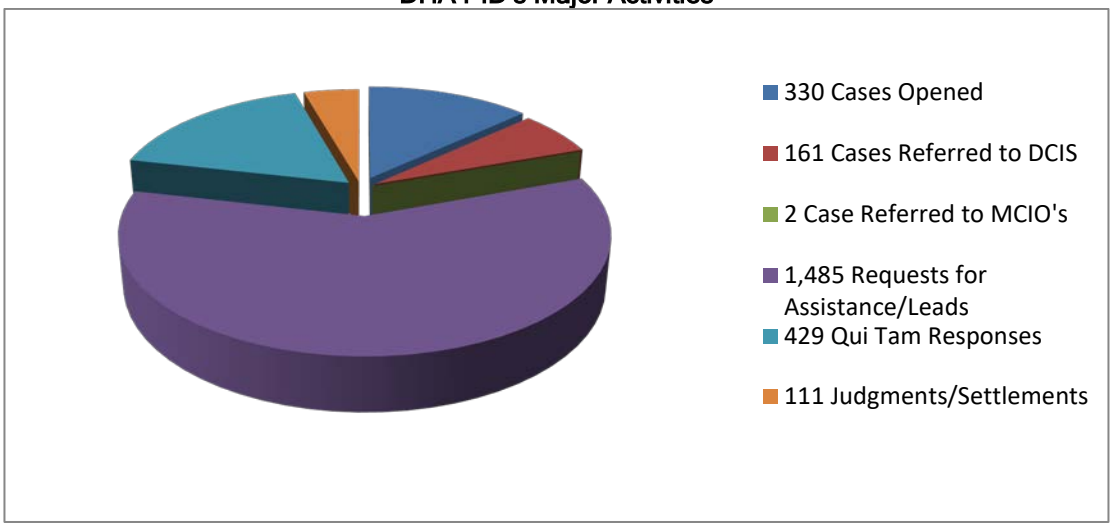


Section 2.0 DHA PID Activity Report

During calendar year 2019, 875 investigative cases were actively managed, 329 new cases were opened, 353 cases were closed, and 1,485 leads/requests for assistance were responded to. DHA PID received and evaluated 429 new *qui tam*s. A *qui tam* is a provision of the Federal Civil False Claims Act (FCA) that allows private citizens, known as relators, to file lawsuits in the name of the U.S. Government alleging that private companies–usually their employer–have

submitted fraudulent claims for government payment. The private whistleblowers who file these *qui tam* lawsuits receive a percentage of the settlement or judgment amount if a settlement or judgment is reached.

DHA PID's Major Activities



Section 3.0 Cost Avoidance

This section details the results of cost avoidance activities.

3.1 Prepayment Duplicate Denials

TRICARE's Managed Care Support Contractors (MCSC) along with International SOS (ISOS), Wisconsin Physician Service (WPS), Express Scripts Incorporated (ESI), and United Concordia Dental, Inc. utilize claim software that screens and audits claim coding. One significant area reviewed is that of duplicate claims submissions. When duplicate claims submissions are identified the duplicate claim is denied. For calendar year 2019 prepayment duplicate denials reported by the contractors to Program Integrity amounted to $ 594,743,871.

3.2 Rebundling/Mutually Exclusive Edits

TRICARE's MCSC's, ISOS, and WPS are required to use prepayment claims processing software that utilizes rebundling and mutually exclusive edits. The rebundling edits are designed to detect and correct the billing practice known as unbundling, fragmenting, or code gaming. Unbundling involves the separate reporting of the component parts of a procedure instead of reporting a single code, which includes the entire comprehensive procedure. This practice is improper and is a misrepresentation of the services rendered. Providers are cautioned that such a practice can be considered fraudulent and abusive. For calendar year 2019, the prepayment claims processing software in use by the MCSCs accounted for $104,328,977[1] in cost avoidance for TRICARE.

3.3 Prepayment Review

Prepayment review prevents payment for questionable billing practices or fraudulent services. Providers/beneficiaries with atypical billing patterns may be placed on prepayment review. Once on prepayment review their claims and supporting documentation are subjected to prepayment screening to verify that the claims are free of billing problems. The results of a review may result in a reduction of what was claimed or a complete denial of the claim. The following chart shows by contractor, cost avoided as a result of prepayment review activities.

[1] Data Acquired from TRICARE Claims Data Repository.

Calendar Year 2019 Prepayment Review[2]

CONTRACTORS	COSTS AVOIDED
Humana Military Healthcare Services, East Region	$58,281,232
Health Net Federal Services, West Region	$3,532,428
International SOS, Overseas	$2,614,962
WPS TDEFIC tional	$2,486,309
UCCI, National	$490,561
TOTALS:	$67,405,490

3.4 Pharmacy Daily Claims Audits

Express Scripts Inc. Retail Pharmacy Contract claims processing is "real" time. While not an actual prepayment review process, the daily claims audit process identified and prevented $28,535 of inappropriate pharmacy billing errors prior to payment.

3.5 Excluded Providers

DHA has exclusion authority based on Title 32, Code of Federal Regulations (CFR), Part 199.9(f). No payment will be made for any item or service furnished during the exclusion period.

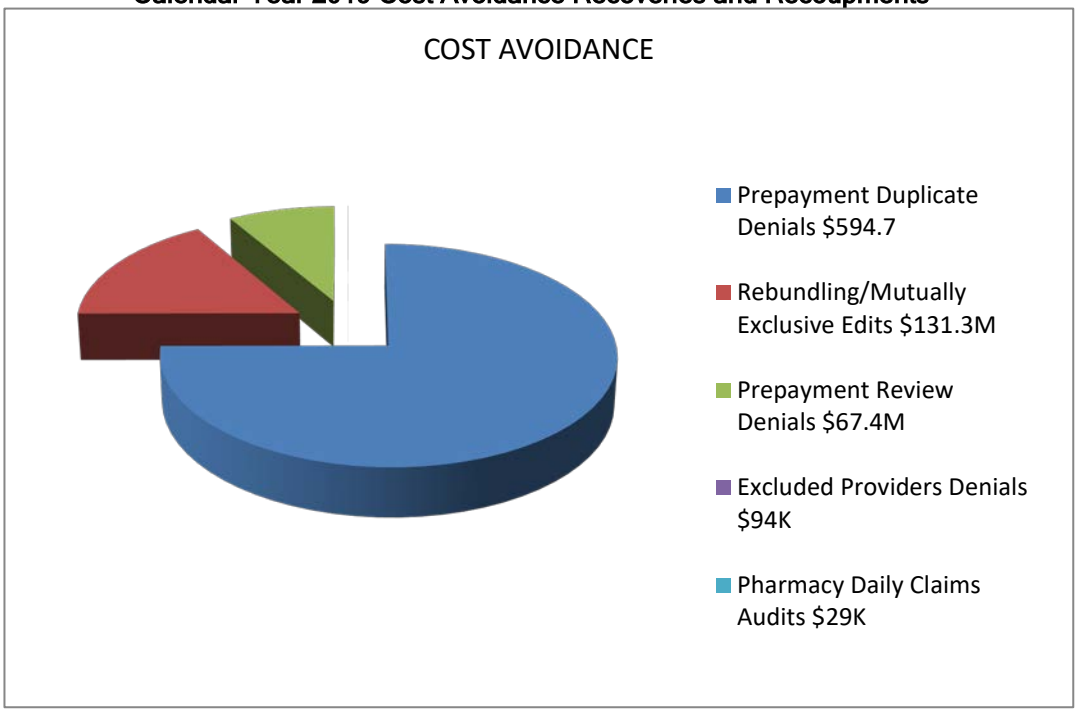
DHA PID works with the DHA Office of General Counsel to recommend exclusions when necessary. TRICARE's exclusion list is available on the internet at www.health.mil/fraud. This online searchable database allows searches by provider or facility name. During 2019, DHA did not exclude any provider under its own authority.

From this website users may also access the Department of Health and Human Services (HHS), Office of Inspector General (OIG) List of Excluded Individuals/Entities (LEIE). The LEIE is an online searchable database which allows searches by provider or facility name.

An agreement between DHA PID and the HHS OIG enables sharing of information between our two agencies. As part of the agreement, HHS OIG provides DHA PID with updates from its LEIE on a monthly basis, which lists providers who have been excluded, terminated, or suspended, as well as a list of providers who have been reinstated. This list is used by TRICARE contractors to flag sanctioned providers to ensure that no payments are made for services prescribed or provided by sanctioned providers. DHA PID also provides the sanction list to the Military Department's Surgeons Generals, Uniformed Services Family Health Plan, Pharmacy Operations Center, National Quality Monitoring Contract, DCIS, and the Defense Logistics Agency. Additionally, DHA provides a listing of providers excluded by HHS OIG. Those providers identified on the HHS List of Excluded Individuals and Entities (LEIE) are excluded from the TRICARE Program as well and do not require separate DHA exclusion notification. The basis for exclusion includes convictions for program-related fraud, patient abuse, and state licensing board actions.

[2] Data as reported by TRICARE Contractors.

Calendar Year 2019 Cost Avoidance Recoveries and Recoupments [3]



Section 4.0 Recoveries and Recoupments

This section details recoveries and recoupments. Money recovered and recouped is applied towards funding our beneficiaries' healthcare entitlements.

4.1 Fraud Judgments and Settlements

TRICARE judgments and settlements for calendar year 2019 totaled $125,905,105. Depending on ability to pay, a partial or full payment for any given judgment or settlement may carry over into future fiscal years. Total payments actually received in 2019 from past and present settlements and judgments were $49,033,604.[4]

4.2 Postpayment Duplicate Claims Denials (DCS)

Postpayment duplicate claim (DCS) software was developed by DHA and is used by the MCSCs. This software was designed as a retrospective auditing tool to identify paid duplicate claims. While most duplicate claims are identified through prepayment screening $31,198,964[5] was identified in 2019 for recoupment or offset on a postpayment basis.

4.3 Pharmacy Postpayment Audits

Postpayment audits represent amounts recovered from paid pharmacy claim submission errors identified as part of ESI audit and monitoring activities. In 2019, $11,498,447 was recovered.

4.4 Administrative Recoupments/Offsets

On occasion a payment may be issued resulting in an overpayment. Overpayments occur for a variety of reasons including: erroneous calculation of the allowable charge, erroneous coding of a procedure, erroneous calculation of the cost-share or deductible, a payment made for services rendered by

[3] Rebundling/Mutually Exclusive Edits amount as reported by TRICARE contractors.
[4] Payments received in calendar year 2019 as reported by DHA Office of General Counsel, Appeals, Hearings and Claims Collection Division.
[5] Post payment Duplicate Claims Denials as reported by DHA Health Plan/Health Care Operations.

unauthorized provider, etc. The general rule for determining liability for overpayments is that the person who received the payment is responsible for the refund. In 2019, $34,209,459 was recovered through administrative recoupments.

4.5 Voluntary (Self) Disclosures

In its continuing efforts to protect the integrity of its program from provider fraud and abuse, DHA encourages providers to "police" themselves by conducting voluntary self-evaluations and making voluntary disclosures. By participating in voluntary disclosure programs, providers hope to avoid being subjected to criminal penalties and civil actions. While not protected from civil or criminal action under the FCA, the disclosure of fraud or self-reporting of wrongdoing by a provider could be a mitigating factor in recommendations to prosecuting agencies. Self-reporting offers providers the opportunity to minimize the potential cost and disruption of a full scale audit and investigation by reaching a settlement with the government. Because a provider's disclosure may involve anything from a simple error to outright fraud, full disclosure and cooperation generally benefits the individual or company. As a result of the voluntary compliance and self-audits by medical providers under the current program, DHA receives voluntary disclosures of overpayments. In 2019, TRICARE received four voluntary disclosures from medical providers totaling $2,261,667 returned to the TRICARE Program. Below is a sampling of Voluntary Disclosures involving TRICARE in calendar year 2019.

Case Study: Dynamic Therapy Services – Misrepresentation of Services – Voluntary Disclosure

On 25 Feb 2019, Dynamic Therapy Services (DTS), signed an agreement HHS-OIG's Self-Disclosure Protocol and the HHS OIG accepted. HHS OIG contended that during 12 January 2011 2011 through 23 January 2017, DTS had provided professional services to TRICARE beneficiaries using physical therapy assistants, and then billed services under the supervising physical therapist's provider's number. At the time the services were, rendered, TRICARE did not cover physical therapy services rendered by physical therapy assistants, since they were not considered authorized providers under TRICARE rules. TRICARE's restitution is $2,000,000.

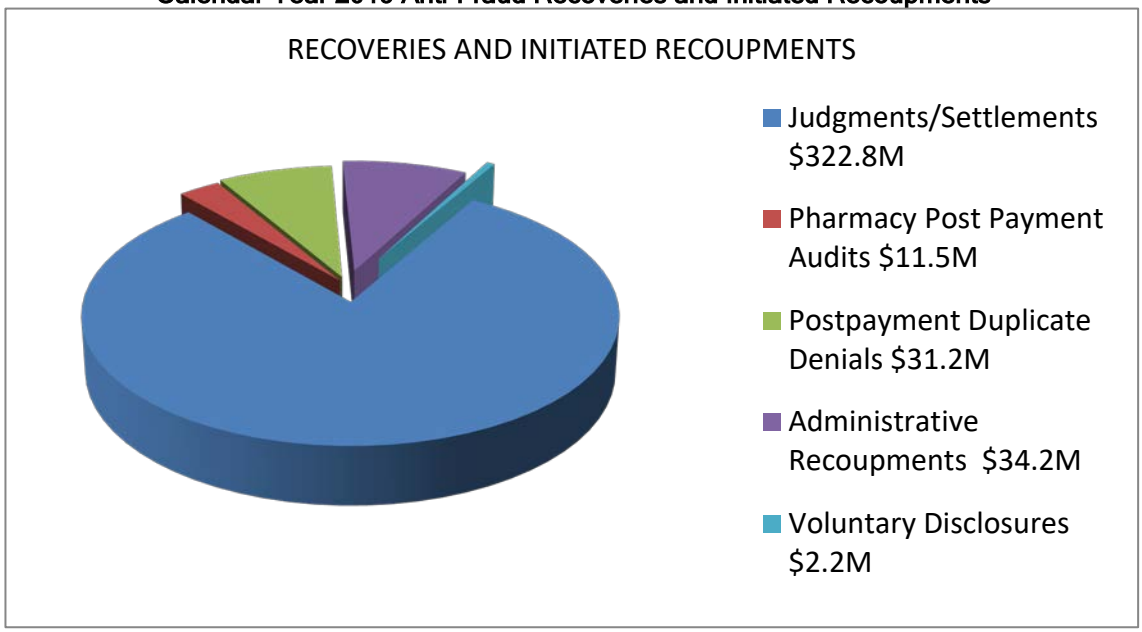
Case Study: Memorial Hermann Health System – Misrepresentation of Services – Voluntary Disclosure

On 06 Sep 2019, Memorial Hermann Health System (MHHS) signed an agreement pursuant to HHS OIG's Self-Disclosure Protocol and the HHS OIG accepted. HHS OIG contended that during 1 April 2011 through 31 May 2017, MHHS improperly submitted claims to Medicare, Medicaid, and TRICARE for services where MHHS (1) automatically appended procedure codes 99201 or G0463 to preoperative assessments performed and/or (2) automatically appended a modifier 25 to certain evaluation and management services billed on the same day as a surgical procedure. HHS and DHA jointly entered into a voluntary disclosure agreement with MHHS. TRICARE's restitution is $118,648.

Case Study: County of Fort Bend – Non Covered Services - Voluntary Disclosure

On 9 Jan 2019, The County of Fort Bend, Texas signed an agreement pursuant to HHS OIG's Self-Disclosure Protocol and the HHS OIG accepted. The County of Fort Bend disclosed that they had been submitting claims to Medicare and TRICARE for ambulance transportation services provided to beneficiaries when the required beneficiary authorizations had not been obtained. HHS and DHA jointly entered into a voluntary disclosure agreement with Fort Bend County. TRICARE restitution is $104,667.

Calendar Year 2019 Anti-Fraud Recoveries and Initiated Recoupments



Section 5.0 Balance Billing and Violation of Participation Agreements

In addition to handling the more familiar types of health care fraud against the program, DHA PID is also dedicated to addressing issues involving billing violations of participation agreements.

In 2019, the majority of balance billing and violation of participation cases were resolved at the contractor level, resulting in a cost savings to our beneficiaries totaling $74,977.

5.1 Balance Billing

When TRICARE's MCSC's cannot resolve Balance Billing issues at their level, DHA PID takes steps to ensure that non-participating providers comply with Public Law 102-396, Section 9011, passed by Congress as part of the DoD Defense Authorization Act of 1993. The text of this Public Law limits the billed charges to no more than 115% of the allowable rate. This law specifies that non-participating providers are allowed to collect a maximum of 15% over the CHAMPUS Maximum Allowable Charge (CMAC) from a TRICARE beneficiary. The term "Balance Billing" has been derived from this limitation.

Balance Billing matters that TRICARE's MCSC's are unable to resolve are referred to DHA PID. Two Balance Billing matters were referred to DHA PID in 2019. Additionally two other balance billing cases referred to DHA PID in the previous year were resolved in 2019. Total resolution for Balance Billing was $603 returned or collection actions ceased against beneficiaries in 2019.

5.2 Violation of the Participation Agreement

DHA PID is also responsible for ensuring participating providers do not collect more than the CMAC when participating on a claim. Participating providers (those marking "yes" to accept assignment on the claim form) are prohibited from collecting from beneficiaries any amount in excess of the CMAC. This is commonly referred to as a "Violation of the Participation Agreement".

Violations of Participation Agreement that TRICARE's MCSC's are unable to resolve are referred to DHA PID. TRICARE received one referral from the MCSC's in 2019. Additionally, two other violation of participation agreement case referred in previous years were resolved in 2019 with recoupments initiated totaling $673,658.

Section 6.0 Eligibility Fraud

TRICARE and Uniformed Service regulations require changes in eligibility under a sponsor record to be reported to the Services within 30 days. Each branch of the Uniformed Services is responsible for determining eligibility for its members, dependents and retirees. The Defense Manpower Data Center (DMDC) maintains eligibility information in the Defense Eligibility and Enrollment Reporting System (DEERS). TRICARE's claim processors use DEERS to determine whether a beneficiary is eligible for benefits on the dates services were received.

A TRICARE beneficiary, parent or legal representative, when appropriate, must provide the necessary evidence to establish and update dependent eligibility in DEERS. Sponsors are responsible for reporting eligibility changes within 30 days to the appropriate Uniformed Service. Failure to timely report changes may result in the sponsor being held financially liable for the cost of any health care services that are received through the MTF's or TRICARE. Fraudulent use of DoD health care entitlements is a violation of federal law.

In 2019, MCSC's and the PBM received 79,762 names from DMDC to review for potential eligibility fraud and abuse related to late-reported eligibility changes and identified recoupments totaling $57,003,545. In addition MTF's received 4,933 names identified for potential eligibility fraud and abuse related to late reported eligibility changes and recoupments totaling $1,435,843.

Eligibility matters that appear to be fraudulent in nature are referred to DHA PID by the MCSC and PBM. In 2019, this resulted in 4 referrals to law enforcement and $136,588 in recoupments.

Section 7.0 Program Integrity Affiliations

DCIS is the primary investigative agency for the DoD TRICARE Program. DHA PID and DCIS work in close cooperation in the fight against health care fraud and abuse. In 2019, DCIS continued to recognize health care fraud as one of its investigative priorities. In doing so, DCIS strongly supports DHA PID's anti-fraud program. DCIS commitment to investigating health care fraud resulted in increased numbers of cases accepted for investigative purposes.

DHA PID also routinely collaborates with Military Criminal Investigative Offices, Federal prosecutors and investigators (e.g., DOJ, HHS IG, FBI, and DEA) as well as those on state and local levels. Additionally, DHA PID participates in public-private sector partnerships with the National Health Care Anti-Fraud Association (NHCAA), National Insurance Crime Bureau (NICB), and private plan Special Investigative Units. DHA PID also actively participates on health care task forces throughout the United States.

Section 8.0 Program Integrity Snapshot of Cases Involving TRICARE

This section reviews a sampling of significant fraud cases involving TRICARE in calendar year 2019. During this record setting calendar year, 43 individuals/entities were criminally convicted and 35 individuals were incarcerated for committing health care fraud against the TRICARE program.

Case Study: U.S. v. Thomas E. Spell – Healthcare Fraud, Healthcare Fraud Conspiracy, Waiver of Co-Pays, and Kickbacks – Criminal Conviction

On 23 April 2019, Thomas E. Spell, a pharmacy owner in Ridgeland, Mississippi, was sentenced to 10 years in federal prison for his involvement in a $243 million compounding pharmacy fraud scheme. Spell's case is part of the largest health care fraud scheme ever investigated and prosecuted in the State of Mississippi. Mr. Spell had also previously pled guilty to a Criminal Information outlining his role in the scheme to defraud TRICARE. Mr. Spell was also ordered to pay restitution to TRICARE. TRICARE restitution was $243,550,503.

Case Study: U.S. v. Jeffrey E. Fuller – Healthcare Fraud Conspiracy – Criminal Conviction

On 23 April 2019, Mr. Fuller plead guilty to count one of a superseding indictment charging him and others with Conspiracy to Commit Health Care Fraud. On 22 November 2019, Jeffrey E. Fuller (owner of

Trilogy Pharmacy) was sentenced to 60 months incarceration followed by 18 months of supervised release in the U. S. District Court, Northern District of Texas. Fuller was also ordered to pay restitution to DHA and a special assessment of $100. TRICARE restitution was $40,738,791.

Case Study: U.S. v. Fagron Holdings USA, LLC. – False and Inflated Average Wholesale Prices for Medications – Civil Settlement

The U. S. Attorney's Office, Middle District of Florida entered into a civil settlement with Fagron Holding USA LLC., who agreed to pay $22,475,006 to resolve allegations regarding the inflation of the Average Wholesale Prices (AWP) by its wholly owned subsidiary Freedom Pharmaceuticals Inc. Freedom inflated the AWPs of several pharmaceutical ingredients used in compound prescriptions and sold the ingredients to pharmacies at a significant discount, which create a large margin, as high as 3000 percent. These pricing schemes induced pharmacies to purchased Freedom's compound ingredients and marketers to pay kickbacks to clinicians for invalid prescriptions, which resulted in the submission of thousands of false prescription claims to TRICARE. The TRICARE restitution was $16,935,026.

Case Study: U.S. v. Michael Scott Burton – Healthcare Fraud Conspiracy, Wire Fraud and Money Laundering – Criminal Conviction

On 1 August 2019, in the U. S. District Court, Northern District of Florida, Michael Scott Burton was sentenced to 96 months in Federal prison after he pleaded guilty to charges of conspiracy to commit health care fraud, wire fraud, and money laundering. Between January 2014 and December 2015, Mr. Burton conspired with others to defraud TRICARE to submit more than $6,500,000 in fraudulent claims for compounded pain creams, scar creams, and wellness capsules. As a result, Mr. Burton earned over $1,400,000 in commissions for these fraudulent prescriptions. Mr. Burton was ordered to pay $6,540,348 in restitution and a forfeiture money judgement of $1,480,931. TRICARE restitution was $6,540,348.

Case Study: U.S. v. Reckitt Benckiser Group – Healthcare Fraud Conspiracy, Healthcare Fraud, Kickbacks and Money Laundering – Civil Settlement

On 11 July 2019, the U. S. Attorney's Office, Western District of Virginia and Reckitt Benckiser Group agreed to resolve allegations in a civil settlement of $700 million dollars of potential liability related to the false marketing of its drug Suboxone. This settlement is one of the largest recoveries by the United States in a case concerning an opioid drug. TRICARE restitution was $5,440,000.

Case Study: U.S. v. Frank Monte and Kimberly Anderson – Healthcare Fraud Conspiracy, Healthcare Fraud, Conspiracy to Pay Kickbacks and Money Laundering – Criminal Conviction

On 10 September 2019, in the U. S. District Court, Middle District of Florida, Frank Monte and Kimberly Anderson, owners of a marketing company Centurion Compounding, pled guilty to conspiracy to pay health care kickbacks. According to the plea agreement, Monte and Anderson entered into a marketing agreement with the owners of LifeCare Pharmacy, Florida to market compounded pain and scar creams to TRICARE beneficiaries. Dr. Anthony Baldizzi, Florida agreed, in exchange for monetary kickbacks equal to 10% of the after-cost amount of each paid claim, to write prescriptions for compounded medications filled by LifeCare Pharmacy for Centurion-recruited patients. Monte and Anderson were both sentenced to 24 months and 18 months respectively in federal prison. TRICARE restitution was $4,658,293.

Case Study: U.S. v. Garrett Okubo – Fraudulent Healthcare Claims and Services Not Rendered – Criminal Conviction

On 09 May 2019, the U. S. District Court of Hawaii, initiated sentencing for criminal convictions against Garrett Okubo. Mr. Okubo was sentenced to forty-two months in prison, followed by three years of supervised release for charges related to falsified physical therapy claims. Okubo billed for services provided by unlicensed staff members, and for services provided while he was out of the country, as well as upcoding the units for time-based codes. He was ordered to pay restitution in the amount of $3,700,000 and TRICARE's restitution was $3,127,516.

Case Study: U.S. v. Boston Heart Diagnostics – Healthcare Fraud Conspiracy, Healthcare Fraud, Kickbacks and Money Laundering – Civil Settlement

On 12 November 2019, Boston Heart Diagnostics and the U. S. Attorney's Office, Eastern District of Texas entered into a civil settlement in collaboration with HHS OIG and the FBI. The settlement resolved allegations that Boston Heart Diagnostics coordinated with physicians for referrals in exchange for monetary compensation disguised as management service organization distribution payments. Boston Heart Diagnostics has agreed to resolve the allegations and pay the government a total amount of $26,670,000 as well as 15% of their annual net revenue above $97,800,000 between now and 31 December 2024. TRICARE restitution was $2,875,000.

Case Study: U.S. v. Heritage Pharmaceuticals – False Claim, Kickbacks, and Price Fixing – Civil Settlement

On 31 May 2019, the U. S. Attorney's Office for the Eastern District of Pennsylvania and the Civil Division's Commercial Litigation Branch and Heritage Pharmaceuticals agreed to enter into a civil settlement to resolve allegations of false claims tainted by kickbacks, and agreed to pay the government a total amount of $7,132,915. Separately, Heritage entered into a three-year deferred prosecution agreement with the Department of Justice - Antitrust Division to a criminal charge that the company conspired to suppress and eliminate competition by allocating customers, rigging bids, and fixing and maintaining prices in violation of the Sherman Act. The deferred prosecution agreement was also filed in the Eastern District of Pennsylvania. Under the terms of the deferred prosecution agreement, Heritage will pay a $250,000 monetary penalty and will avoid prosecution if it complies with the terms and conditions of the agreement. The TRICARE restitution was $2,710,087.

Case Study: U.S. v. Jesus Arellano – Healthcare Fraud – Criminal Conviction

On 23 May 2019, the U. S. District Court, Western District of Texas initiated sentencing pursuant to a plea agreement against Jesus Arellano, former Cast Technician at William Beaumont Army Medical Center. Mr. Arellano was sentenced to forty-one months in prison for charges related to falsifying compound drug prescriptions. TRICARE restitution was $2,371,500.

Case Study: U.S. v. Ravi Morisetty – Kickbacks – Criminal Conviction

On 25 September 2018, Mr. Ravi Morisetty (a pharmacist/owner) pled guilty and on 7 June 2019, he was sentenced to 24 months incarceration, in the U. S. District Court of Northern Texas. Mr. Morisetty is the first of 13 defendants, including physicians and marketers to be sentenced in an ongoing compound drug investigation. Mr. Morisetty paid marketers and physicians kickbacks in exchange for writing prescriptions for patients, which were filled by his pharmacy, Alpha Pharmacy. TRICARE restitution was $2,003,763.

Case Study: U.S. v. Angela Keith – Making False Statement and Healthcare Fraud – Criminal Conviction

On 26 June 2019, Angela Keith was sentenced in the U. S. District of South Carolina to one year in Federal prison with no monetary restitution after pleading guilty to misdemeanor charges of making false statement to healthcare programs. Ms. Keith was given sentencing consideration based on her cooperation with the government in a July 2018 civil settlement action in which the government received $8.8 million from ABA provider South Carolina Early Autism Project to resolve allegations of billing for autism services not rendered. The TRICARE portion of the 2018 settlement was $1,903,744.

Case Study: U.S. v. Craig Lowy – Conspiracy to Pay and Receive Kickbacks – Criminal Conviction

On 22 April 2019, the U.S. District Court, Southern District of Florida sentenced Mr. Craig Lowy, a compound marketer for Post Haste Pharmacy, to 30 months incarceration followed by three years supervised release. Mr. Lowy pled guilty to Conspiracy to Pay and Receive Health Care Kickbacks. Mr. Lowy was also ordered to pay restitution which is joint and several with two other co-conspirators. Total for each co-conspirator is $481,457. TRICARE restitution was $1,444,372.

Case Study: U.S. v. Jonathan Austin – Healthcare Fraud – Criminal Conviction

On 22 January 2019, Mr. Jonathan Austin of Martinez appeared in the U. S. District Court, Southern District of Georgia for defrauding government healthcare and disability programs and was sentenced to 30 months in federal prison, 4 years of supervised release, and ordered to pay $1,473,377 in restitution. Mr. Austin admitted to defrauding Medicare and TRICARE for submitting false claims for prescription reimbursements totaling $1,450,000 and for defrauding the Social Security Administration by providing forged documents to claim disability status. TRICARE restitution was $1,420,847.

Case Study: U.S. v. US WorldMeds, LLC. – Kickbacks – Civil Settlement

On 8 April 2019, the U. S. Attorney's Office, District of Connecticut entered into an agreement with US WorldMeds LLC (USWM), a pharmaceutical manufacturer to resolve allegations that it violated the False Claims Act by paying kickbacks to patients and physicians to improperly induce prescriptions of its drugs, Apokyn® and Myobloc®. As part of the settlement, USWM entered into a 5-year Corporate Integrity Agreement. TRICARE restitution was $1,250,000.

Case Study: U.S. v. Aqua Pharmaceuticals – Kickbacks – Civil Settlement

On 28 May 2019, Aqua Pharmaceuticals and the DOJ entered into a civil settlement in the U.S. District Court, Eastern District of Pennsylvania, settling allegations that it employed illegal kickbacks to incentivize physicians to prescribe Aqua's dermatology pharmaceutical drugs. TRICARE portion of the settlement was $1,206,130.

Case Study: U.S. v. Marjorie Robinson – Healthcare Fraud and Medically Unnecessary Medication – Criminal Conviction

On 29 November 2018, the U. S. District Court, Southern District of Florida, sentenced Marjorie Robinson for conspiracy to commit healthcare fraud. Ms. Robinson was sentenced to 78 months incarceration, 3 years of supervised release, a special assessment fee of $100, and restitution in the amount of $3,400,000, jointly and severally with her co-conspirators, Asciano Serna, Jr., and Asciano Serna, Sr. Ms. Robinson was the Pharmacist in Charge and part owner of ASC Pharmacy. TRICARE restitution was $1,133,333.

Case Study: U.S. v. Mallinckrodt ARD LLC – Kickbacks – Civil Settlement

On 3 Sep 2019, the U. S. Attorney's Office, Eastern District of Pennsylvania and Mallinckrodt ARD LLC (formerly known as Mallinckrodt ARD Inc., previously Questcor Pharmaceuticals Inc.) a pharmaceutical company, agreed to pay $15,400,000 to resolve claims that Questcor paid illegal kickbacks to doctors, in the form of lavish dinners and entertainment, to induce prescriptions of the company's drug, H.P. Acthar Gel from 2009 through 2013. TRICARE restitution was $1,044,000.

Case Study: U.S. v. Myriad Genetics – Healthcare Fraud and Medically Unnecessary Services – Civil Settlement

On 23 September 2019, the U. S. Attorney's Office, District of South Carolina and Myriad Genetics entered into a settlement agreement to resolve allegations that Myriad submitted improper bills to Medicare, Medicaid, and TRICARE for genetic tests. TRICARE restitution was $947,894.

Case Study: U.S. v. Heritage Compounding Pharmacy – Healthcare Fraud, Kickbacks and Medically Unnecessary Prescriptions – Civil Settlement

On 14 November 2019, the U. S. Attorney's Office, Southern District of Alabama and Heritage Compounding Pharmacy and owners Christopher Burgess and Marti Burgess entered into a settlement agreement to resolve allegations that they submitted medically unnecessary compound drug claims tainted by kickbacks and filled compound drug prescriptions without a valid medical purpose. Total settlement was $1,910,392. TRICARE restitution was $875,428.

Case Study: U.S. v. Inform Diagnostics – Kickbacks – Criminal Conviction

On 30 January 2019, the U. S. Attorney's Office, Middle District of Tennessee and Inform Diagnostics, formerly known as Miraca Life Sciences entered into a settlement agreement. The settlement resolves allegations that the company violated the Anti-Kickback Statute and the Stark Law by providing referring physicians subsidies for electronic health records systems and free or discounted technology consulting services. The TRICARE restitution was $677,782.

Case Study: U.S. v. Romeatrius Moss – Healthcare Fraud and Kickbacks – Criminal Conviction

On 17 Oct 19, Major Romeatrius Moss pled guilty in the U.S. District Court, Western District of Oklahoma to soliciting and receiving $73,823 for referring individuals covered by TRICARE to compounding pharmacies. Major Moss provided pre-printed prescription pads and sent prescriptions to specific compounding pharmacies, which paid her a percentage of the payments they received from TRICARE. Major Moss will have a criminal forfeiture of her residence, a 2016 Porsche Cayenne, and a 2000 Fleetwood Pace Arrow. TRICARE restitution was $622,459.

Case Study: U.S. v. National Spine and Pain Centers – Services Not Rendered and Misrepresenting the Provider of Services – Civil Settlement

On 19 April 2019, U. S. Attorney's Office, Eastern District of Virginia and National Spine and Pain Centers agreed to a civil settlement to resolve allegations of submitting false claims, which misrepresented the provider of services, and the submission of claims for services not rendered. TRICARE restitution was $568,753.

Case Study: U.S. v. Scott Roix – Healthcare Fraud and Submission of Fraudulent Claims – Civil Settlement

On 1 August 2019, the U. S. Attorney's Office, Middle District of Florida and Mr. Scott Roix who managed several telemarketing companies to include HealthRight, LLC; Health Savings Solutions, LLC; Vici Marketing, LLC; and Vici Marketing Group, LLC agreed to a civil settlement of $2,500,000 to resolve allegations that his marketing companies fraudulently obtained patient's insurance information, conspired with pharmacies to arranged for the patients to receive prescription pain creams, which were not medically necessary. The TRICARE restitution was $559,836.

Case Study: U.S. v. Walgreens – Fraudulent Claims – Civil Settlement

The U.S. Attorney's Office, Southern District of New York entered into a civil settlement with Walgreens to settle several fraud cases, including one where the pharmacy chain improperly billed Medicare, Medicaid, and TRICARE for insulin pens. In the settlement, Walgreens admitted and accepted responsibility for submitting fraudulent billing data to the federal healthcare programs for the insulin pens. Its electronic pharmacy management system was set up to prevent pharmacists from dispensing anything less than a box of five insulin pens, even to patients who did not need them. When the number of pens exceeded Medicare and Medicaid's limit for days of supply, the company would tweak claims to say they were within the appropriate limits. In addition to securing millions in improper payments, the practice led to a significant waste of insulin. Walgreens will pay $168 million to the federal government in the settlement and a separate $41.2 million to state governments whose Medicaid programs were defrauded, according to DOJ. TRICARE restitution was $530,000.

Case Study: U.S. v. Vital Life Institute – Medically Unnecessary Prescriptions and Kickbacks – Civil Settlement

On 13 February 2019, the U.S. Attorney's Office, Middle District of Florida entered into a civil settlement agreement with Vital Life Institute, formerly known as Age Vital Pharmacy, and owners Jenny and William Wilkins. The lawsuit alleged that Age Vital paid kickbacks to a marketing company to solicit TRICARE and Medicare patients for medically unnecessary compound drug prescriptions. The agreement prohibits the company and owners from any type involvement in the submission of health care claims to the government. The settlement requires Vital Life Institute to pay at least $775,000 to the government,

contingent of the near-term sale of real property and future profit earnings. TRICARE restitution was $435,881.

Case Study: U.S. v. East Coast Stepping Stones – Healthcare Fraud, Misrepresentation of Provider and Misrepresentation of Services – Civil Settlement

On 28 January 2019, the U. S. Attorney's Office, Middle District of Florida entered into a civil settlement with East Coast Stepping Stones (ECSS) to resolve allegations that ECSS billed TRICARE for Applied Behavioral Analysis (ABA) therapy services that mispresented the services provided and who provided them. ECSS is a Jacksonville-based ABA provider of intensive behavioral treatment that treats children with autism. ECSS agreed to pay restitution in an ability-to-pay settlement. TRICARE restitution was $360,000.

Case Study: U.S. v. Baldwin Bone & Joint, P.C. – Unauthorized Provider – Civil Settlement

On 15 August 2019, the U.S. Attorney's Office, Southern District of Alabama entered into an agreement with Baldwin Bone & Joint, P.C. (BB&J), an orthopedic surgery and physical therapy practice located in Daphne, Alabama. The settlement resolves a complaint that alleged in part that BB&J violated the False Claim Act by billing Medicare and TRICARE for physical therapy services performed by unauthorized providers. TRICARE restitution was $359,617.

Case Study: U.S. v. Patrick Tonge – Healthcare Fraud Conspiracy, Healthcare Fraud, Kickbacks and Money Laundering – Criminal Conviction

On 17 May 2019, the Western District of Texas initiated sentencing pursuant to a plea agreement against Jason Matsu, owner of Matsu Orthopedics. Matsu was sentenced to five years of supervised release for charges related to falsifying compound drug prescriptions. TRICARE restitution was $300,000.

Case Study: U.S. v. Philippe R. Chain– Healthcare Fraud, False Claims, and Medically Unnecessary Prescriptions – Civil Settlement

On 26 September 2019, the U. S. Attorney's Office, District of Connecticut and Dr. Philippe Chain entered into a settlement agreement for conduct related to prescribing compounded medications. Dr. Chain performed telehealth services from Connecticut for CallMD, a telemedicine company located in Las Vegas, Nevada. The telehealth services Dr. Chain provided on behalf of CallMD involved prescribing compounded medications to TRICARE beneficiaries. From 28 January 2015 to 28 July 2015, Dr. Chain caused compounding pharmacies to submit false claims for compounded medications to TRICARE by issuing or approving prescriptions which were invalid, as there was no physician-patient relationship. TRICARE restitution was $300,000.

Case Study: U.S. v. HyperHeal Hyperbarics, Inc. – Healthcare Fraud and Claims for Services Not Provided – Civil Settlement

On 24 May 2019, the U. S. Attorney's Office for the District of Maryland and Hyperheal Hyperbarics entered into a settlement agreement. The settlement resolves allegations that HyperHealth submitted false claims to TRICARE for medically unnecessary hyperbaric oxygen therapy (HBOT) without proper physician supervision. TRICARE restitution was $207,000.

Case Study: U.S. v. Udaya K. Shetty – Healthcare Fraud and Excessive Charges – Civil Settlement

On 24 October 2019, the U. S. Attorney's Office, Eastern District of Virginia and Dr. Udaya Shetty entered into a civil settlement in the U.S. District Court, Eastern District of Virginia, for $1,078,000. The settlement resolved allegations that Dr. Shetty billed for higher levels of medical care than he actually provided. In addition, on 18 September 2019, Dr. Udaya agreed to waive indictment and pled guilty to a single-count criminal information charging him with Health Care Fraud. Dr. Shetty also agreed to be excluded from all Federal health care programs for a period of 10 years. TRICARE restitution was $172,405.

Case Study: U.S. v. Sanford Health – Healthcare Fraud, Medically Unnecessary Services, and Kickbacks – Civil Settlement

On 28 October 2019, the U. S. Attorney's Office, District of South Dakota and hospital entities Sanford Health, Sanford Medical Center, and Sanford Clinic agreed to a civil settlement of $20,250,000. The settlement resolved allegations that Sanford knew one of its top neurosurgeons was receiving kickbacks from his use of implantable devices from his physician-owned distributorship (POD), and, that the surgeon was performing medically unnecessary procedures involving the devices in which he had a substantial financial interest. TRICARE restitution was $153,750.

Case Study: U.S. v. Autism Concepts, Inc. – Healthcare Fraud – Civil Settlement

On 28 October, 2019, U. S. Attorney's Office, District of Kansas and Autism Concepts, Inc. (ACI) and its director Nancy Champlin, entered into a settlement agreement to resolve False Claims allegations that it submitted false claims to the TRICARE program. The settlement resolves allegations that the ACI billed TRICARE for individual applied behavioral analysis services when the therapists were actually providing services in a group setting. TRICARE does not cover ABA services when performed in a group setting. TRICARE restitution was $150,000.

Case Study: U.S. v. Nathan Chase Louvier – Conspiracy to Defraud the Government – Criminal Conviction

On 09 January 2019, the U. S. District Court, Western District of Louisiana sentenced Nathan Chase Louvier, based on his previous guilty plea, to one count of conspiracy to defraud the United States. Mr. Louvier, a prior Sergeant in the U.S. Army and his ex-spouse Amanda Morphis falsely represented that they were still married so that Ms. Morphis could receive health care benefits from TRICARE after her entitlement had ended. Mr. Louvier was sentenced to three years of supervised release. TRICARE restitution was $143,387 (joint and several liability with ex-wife Amanda Morphis).

Case Study: U.S. v. Amanda Elise Morphis – Conspiracy to Defraud the Government – Criminal Conviction

On 13 February 2019, the U. S. District Court, Western District of Louisiana sentenced Amanda Elise Morphis based on her previous guilty plea, to one count of conspiracy to defraud the United States. Ms. Morphis, and ex-spouse Nathan Louvier falsely represented that they were married so that Ms. Morphis could receive health care benefits from TRICARE after her entitlement had ended. Ms. Morphis was sentenced to three years of supervised release. TRICARE restitution was $143,387 (joint and several liability with ex-husband Nathan Louvier).

Case Study: U.S. v. Todd Schreier – Conspiracy to Commit Healthcare Fraud – Criminal Conviction

On 3 January 2019, the U. S. District Court, Southern District of Florida sentenced Todd Schreier for his previous guilty plea of conspiracy to commit healthcare fraud. Mr. Schreier was sentenced to 12 months plus one day of incarceration, 3 years of supervised release, a special assessment fee of $100, and restitution in the amount of $341,313, jointly and severally with his co-conspirators Dr. Laszlo Teleszky and Sheila Arcuri. TRICARE restitution was $113,771.

Case Study: U.S. v. Pentech Health, Inc. – Healthcare Fraud and Excessive Charges – Civil Settlement

On 4 February 2019, the United States Attorney's Office, Eastern District of Pennsylvania entered into a civil settlement with Pentech Health (Pentech) to settle allegations that Pentec submitted false claims to Federal healthcare programs. The United States alleges that Pentec billed federal healthcare programs for excessive amounts of products wasted during the compounding of Proplete®, and routinely waived patient cost share obligations to induce the prescription and use of Proplete®. Pentec signed a Corporate Integrity Agreement that requires regular monitoring of its billing practices for a period of five years. TRICARE restitution was $120,000.

Case Study: U.S. v. Olsen Orthopedics, P.L.L.C. – Healthcare Fraud, False Claims, Non-FDA Approved Drugs – Civil Settlement

On 22 October 2019, The U.S. Attorney's Office, Western District of Oklahoma entered into a civil settlement agreement with Dr. Todd Olsen, owner of Olsen Orthopedics to settle civil allegations that it submitted false claims to Medicare and TRICARE. Dr. Olsen administered, by injection, unbranded drugs Orthovisc and Euflexxa to Medicare and TRICARE beneficiaries. Olsen Orthopedics purchased these drugs from a source outside of the United States that did not have FDA approval for use in the United States. TRICARE restitution was $96,875.

Case Study: U.S. v. Christopher Dubois – Healthcare Fraud and Medically Unnecessary Prescriptions – Criminal Conviction

On 15 February 2019, the U. S. District Court of, Southern District of Georgia sentenced Christopher to one count of false statements related to health care matters by submitting medically unnecessary compound drug prescriptions while employed at Allcare Pharmacy. Mr. Dubois was sentenced to 5 years' probation and ordered to pay $79,225 in restitution to TRICARE.

Case Study: U.S. v. Patrick Tonge – Healthcare Fraud Conspiracy, Healthcare Fraud, and Kickbacks – Criminal Conviction

On 7 June 2019, the U. S. District Court, Southern District of Florida sentenced Dr. Alap to 36 months incarceration, 36 months' probation, and a fine of $55,350. Dr. Shah was convicted on 14 January 2019 after a jury trial, for Conspiracy to Defraud the United States and Receive Health Care Kickbacks, and two counts of Receipt of Kickbacks in connection with a Federal Health Care Program. From April 2014 to August 2015, Dr. Shah knowingly and willfully executed a scheme to defraud TRICARE in return for writing compound cream prescriptions. TRICARE restitution was $55,300.

Case Study: U.S. v. Ian Reynolds – Kickbacks – Civil Settlement

On 22 November 2019, the U. S. Attorney's Office, Northern District of Oklahoma and Dr. Ian Reynolds entered into a civil settlement for knowingly accepting payments (kickbacks) from Oklahoma Compounding, LLC, and One Stop Rx in exchange for prescribing compound pain creams from April 2013 through September 2015. TRICARE restitution was $43,590.

Case Study: U.S. v. Joseph P. Galichia – Healthcare Fraud, Falsified Records, Medically Unnecessary Services, and Submitting False Claims – Civil Settlement

On 30 May 2019, the U.S. Attorney's Office, District of Kansas entered into a settlement agreement with Dr. Joseph P. Galicihia and Galichia Medical Group (GMED) to resolve a 2012 whistleblower complaint of False Claims Act violations. Dr. Galichia and GMED allegedly submitted false claims and statements to Medicare, TRICARE and FEHBP for medically unnecessary cardiac stents and other related services. GMED will be excluded from all Federal health programs for three years. The TRICARE restitution was $40,508.

Case Study: U.S. v. Michael Hittinger – Healthcare Fraud and Medically Unnecessary Prescriptions – Civil Settlement

On 11 March 2019, the U. S. Attorney's Office, Southern District of Georgia and Michael Hittinger agreed to settle civil claims for the improper referral of TRICARE beneficiaries to Allcare Pharmacy for medically unnecessary prescriptions from June 2015 to January 2016. TRICARE restitution was $40,000.

Case Study: U.S. v. Performance Physical Therapy – Healthcare Fraud and Billing for Services Not Provided – Civil Settlement

On 21 August 2019, Performance Physical Therapy and owners Latasha Blanton, and Mark Blanton, entered into a civil settlement to resolve allegations billing for services not rendered, mispresenting

providers who provided care, and retaining overpayments. TRICARE restitution was $35,000.

Case Study: U.S. v. Encompass Health Corporation – Healthcare Fraud and Medically Unnecessary Services – Civil Settlement

On 28 June 2019, the U. S. Attorney's Office, Middle District of Florida and Encompass Health Corporation (formerly known as HealthSouth Corporation) entered into a settlement agreement. The settlement resolves allegations that Encompass placed patients in an inpatient status when it was medically unnecessary and provided inaccurate information to maintain their status as an Inpatient Rehabilitation Facility (IRF) to earn a higher rate of reimbursement, and admitted patients to its IRFs without medical necessity. TRICARE restitution was $13,588.

Case Study: U.S. v. Abram Timothy Seavers – Kickbacks – Civil Settlement

On 22 November 2019, the U. S. District Court, Eastern District of Virginia entered into a civil settlement with Dr. Abram T. Seavers for knowingly accepting payments (kickbacks) from Oklahoma Compounding, LLC, and Select Rx in exchange for prescribing medically unnecessary compound pain creams. TRICARE restitution was $13,170.

Case Study: U.S. v. Atif Babar Malik – Healthcare Fraud, False Medical Records, False Claims and Kickbacks – Criminal Conviction

On 11 September 2019, the U. S. District Court, District of Maryland sentenced Atif Malik, an owner of Advanced Pain Management Services, LLC. Dr. Malik was sentenced to ninety-six months of incarceration, three years of supervised release, $1,332,712 in restitution, a $75,000 fine, and a special assessment of $2,600, for his role involving kickbacks and falsifying medical records.

For more information on the content of this report, please contact the DHA PID Office in writing at the address below.

Defense Health Agency

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APPENDIX A: ACRONYM INDEX

ABA	Applied Behavior Analysis	MCSC	Managed Care Support Contractor
CHAMPVA	Civilian Health and Medical Program of the Veterans Administration	MHS	Military Health System
CIA	Corporate Integrity Agreement	MOU	Memorandum of Understanding
CMAC	CHAMPUS Maximum Allowable Charge	MTF	Military Treatment Facility
CMS	Centers for Medicare and Medicaid	NCIS	Naval Criminal Investigative Service
DCIS	Defense Criminal Investigative Service	NHCAA	National Health Care Anti-Fraud Association
DEA	Drug Enforcement Administration	OIG	Office of Inspector General
DEERS	Defense Eligibility & Enrollment Reporting System	PID	DHA Program Integrity Division
DHA	Defense Health Agency	POC	Pharmacy Operations Center
HHS	Department of Health Human Services	SIU	Special Investigation Unit
DHP	Defense Health Program		
DMDC	Defense Manpower Data Center	SME	Subject Matter Expert
		UCCI	United Concordia Dental, Inc.
DoD	Department of Defense	USAO	United States Attorney's Office
DOJ	Department of Justice	VA	Department of Veterans Affairs
ISOS	International SOS	WPS	Wisconsin Physician Services
LEIE	List of Excluded Individuals/Entities		
LLC	Limited Liability Company		
MCIO	Military Criminal Investigative Organizations		