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**U.S. OFFICE OF PERSONNEL MANAGEMENT  
OFFICE OF THE INSPECTOR GENERAL  
OFFICE OF INVESTIGATIONS**

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# Quarterly Case Summaries

**Investigative Activities**

**Fiscal Year 2019**

**Second Quarter**

**January 2019 – March 2019**

**Issued: April 2019**

**-- Caution --**

This report has been distributed to Federal officials who are responsible for the administration of the subject program. This non-public version may contain confidential and/or proprietary information, including information protected by the Trade Secrets Act, 18 U.S.C. § 1905, and the Privacy Act, 5 U.S.C. § 552a. Therefore, while a redacted version of this report is available under the Freedom of Information Act and made publicly available on the OIG webpage (<http://www.opm.gov/our-inspector-general>), this non-public version should not be further re leased unless authorized by the OIG.

## List of Acronyms

<b>CSRS</b>	<b>Civil Service Retirement System</b>
<b>DOJ</b>	<b>U.S. Department of Justice</b>
<b>FBI</b>	<b>Federal Bureau of Investigation</b>
<b>FDA</b>	<b>U.S. Food and Drug Administration</b>
<b>FEDVIP</b>	<b>Federal Employees Dental and Vision Insurance Program</b>
<b>FEGLI</b>	<b>Federal Employees' Group Life Insurance Program</b>
<b>FEHBP</b>	<b>Federal Employees Health Benefits Program</b>
<b>FERS</b>	<b>Federal Employees Retirement System</b>
<b>FFS</b>	<b>Fee-for-Service</b>
<b>HMO</b>	<b>Health Maintenance Organization</b>
<b>NBIB</b>	<b>National Background Investigations Bureau</b>
<b>OPM</b>	<b>U.S. Office of Personnel Management</b>
<b>OIG</b>	<b>Office of the Inspector General</b>
<b>OSC</b>	<b>U.S. Office of the Special Counsel</b>
<b>ROI</b>	<b>Report of Investigation</b>

In this report to the OPM Director, the U.S. Office of Personnel Management (OPM) Office of the Inspector General (OIG) presents summaries of noteworthy cases investigated by the Office of Investigations as we endeavor to curtail improper payments, stop patient harm, protect OPM programs, and provide independent and objective oversight of OPM operations. We have selected these cases to highlight the successes of our special agents and Investigative Support Operations group, as well as to describe the types of waste, fraud, abuse, and mismanagement that harm OPM, its programs, and Federal employees, retirees, and their dependents.

The cases below represent the period from January 1, 2019, through March 31, 2019.

## **Health Care Investigations**

The “OPM Fiscal Year 2018 Agency Financial Report” states that in fiscal year 2018, the Federal Employees Health Benefits Program (FEHBP) made \$71.44 million in improper payments. These substantial, costly improper payments often derive from fraud, waste, and abuse throughout the FEHBP and negatively affect premium rates and the program as a whole. Moreover, fraudulent schemes that generate improper payments often also cause patient harm.

### **Pass-Through Billing Scheme**

- ❖ We received a referral from the FBI regarding a compliant of billing fraud related to the purchase of an alleged weight loss treatment from a coupon website. Our investigation found that providers performed unnecessary diagnostic tests, fraudulently billed tens of thousands of dollars to a carrier, and operated a pass-through scheme to increase reimbursement. The FEHBP paid approximately \$86,000 to the various entities involved in this scheme. In February 2019, in the U.S. District Court for the Southern District of Texas, a jury convicted the providers on conspiracy to commit health care fraud and three counts of money laundering.

### **Ineligible Dependents**

- ❖ An allegation received via our Hotline claimed that a Federal employee enrolled their child as a dependent incapable of self-support in order to keep the child on the FEHBP insurance plan beyond the child’s 26th birthday despite the child allegedly being capable of self-support and not having a qualifying disability. The FEHBP paid \$160,592.69 in improper payments, including claims from several drug rehabilitation centers. OPM’s contracting office informed us that OPM could not remove the ineligible dependent after the employing agency certified the disability. The U.S. Attorney’s Office for the Southern District of Ohio declined to prosecute, and so in February 2019 we referred the case to the Defense Criminal Investigative Service, which has oversight of the U.S. Department of Defense employing agency, to take any further action.

## **False Claims Act**

- ❖ We received a qui tam referral in the U.S. District Court for the Eastern District of Pennsylvania alleging that a provider paid financial inducements to beneficiaries and dialysis patients to use its compounded medications over less costly alternatives. The investigation undertaken with Federal law enforcement partners found that the provider defrauded health insurance carriers by waiving patient copays, intentionally billed for waste, and unbundled various products to increase reimbursement. The scheme created \$20,899,694.90 in exposure for the FEHBP from January 2005 to January 2014. Under a February 2019 civil settlement, the provider will pay restitution in excess of \$17 million. The FEHBP will receive 10 percent of the settlement: \$1,700,531.25.
- ❖ We received a qui tam complaint from the U.S. Department of Justice (DOJ) alleging that a national pharmacy chain submitted false claims to Federal and State health care programs for excessive quantities of insulin and automatically refilled prescriptions ahead of the use schedule. The FEHBP's exposure totaled \$374,064,655.81 over 13 years. In January 2019, in the U.S. District Court for the Southern District of New York, the provider entered a civil settlement for \$209.2 million. Due to an oversight, the FEHBP was not included in the original settlement, but by cooperation between DOJ, OPM, and our office, the oversight has been corrected; however, the FEHBP was not awarded a specific settlement dollar amount within this quarter.

## **Services Not Rendered**

- ❖ In February 2019, the OPM Office of the Chief Financial Officer contacted us regarding a judgment order and restitution payment received in a case involving the employee of a provider who billed for medical services not rendered. The loss to the FEHBP totaled \$12,500. In 2015, the employee had pled guilty in the U.S. District Court for the Middle District of Florida to one count of theft of Government property and was sentenced to 60 months of probation with 180 days of home detention, and ordered to pay \$125,067.00 in restitution. The FEHBP's share of the restitution is its entire exposure of \$12,500.
- ❖ In June 2017, we proactively identified an outlier among a health carrier's list of top FEHBP-billing acupuncturists. The provider at times billed the FEHBP for 16-plus hours of services. Patients also ostensibly received treatment while in fact the provider was outside of the United States. The FEHBP exposure was calculated at \$1,015,935.67, with losses projected at \$648,427.02. In March 2019, the provider was indicted in the U.S. District Court for the Northern District of California on six counts of health care fraud and one count of false statements relating to health care fraud.

## **Unauthorized Prescriptions – Compounded Drugs**

- ❖ We were involved with the DOJ, U.S. Department of Health and Human Services OIG, and other law enforcement partners in a cooperative effort against a group of providers who from 2012 to 2016 operated a \$200 million scheme that defrauded Federal Government programs, including the FEHBP, by fraudulently formulating, marketing,

prescribing, and billing for compounded medications. The scheme was predicated on a system of kickbacks, bribes, and money laundering. The total amount of FEHBP claims paid to the alleged conspirators is approximately \$2.69 million. Twelve people have been convicted of crimes related to this scheme, including the three people who during this quarter pled guilty in the U.S. District Court for the Southern District of Mississippi to conspiracy to commit health care fraud. The Government is currently pursuing restitution via forfeiture.

- ❖ We received a case referral from an FEHBP pharmacy benefits manager alleging that a pharmacy compounded pain cream medications and marketed to them to physicians in violation of the U.S. Food and Drug Administration (FDA) rules. The FEHBP had \$926,667 in paid claims exposure. Two subjects were arrested and adjudged guilty in the U.S. District Court for the Southern District of Georgia, and the pharmacy entered into a civil settlement. In February 2019, one pharmacy representative was sentenced to 60 months of probation and restitution of \$79,225.47. The FEHBP ultimately was ordered to receive a combined \$104,213.39 in restitution from all parties
- ❖ During a health care taskforce meeting, a Federal law enforcement agency partner provided a referral alleging that a provider submitted claims for reimported and unapproved medications administered to patients in the FEHBP and other Government health programs. Our special agents became involved in the multiagency civil case efforts in the U.S. Southern District of Illinois. The FEHBP's exposure totaled \$47,762.20 for claims related to the medications in the period under review. The provider settled the civil complaint in February 2019, and the FEHBP received \$1,822.79 in restitution.

### **Falsified Claims**

- ❖ In September 2017, we received a health carrier referral alleging an FEHBP member submitted fake claims for services never received from a nonparticipating provider. These false claims generated payments to the FEHBP member. From June 2013 to May 2017, the loss to the FEHBP totaled to \$207,506.40. In March 2019, the enrollee pled guilty in the U.S. District Court for the Southern District of New York to one count of health care fraud.

### **Special Topic: The Opioid Epidemic**

In his 2017 memorandum "Combating the National Drug and Opioid Crisis," President Donald J. Trump declared the opioid crisis a public health emergency and directed a multi-agency response to combat the nationwide issue. The FEHBP faces substantial negative impacts from the opioid epidemic as Federal employees and their families have not been spared from addiction, treatment, and other ancillary costs associated with the crisis. Addressing opioid-related issues remains a priority for our Office of Investigations.

## **Pill Mills**

- ❖ During a meeting involving our Federal law enforcement partners, we received a referral alleging that a number of providers billed for services not rendered and medically unnecessary services in order to prescribe Schedule II narcotics, including opioids like oxycodone. In addition to the patient harm, the FEHBP paid \$134,229.01 in claims to these providers. Fourteen people involved in the pill mill operation were indicted in the U.S. District Court for the Eastern District of Pennsylvania and arrested for crimes including maintaining drug-involved premises and conspiracy to distribute a controlled substance. Several of the providers pled guilty in January and February 2019.

## **Pass-Through Billing**

- ❖ An FEHBP health carrier submitted a referral alleging that a sober home treatment facility billed for services not rendered, used unlicensed facilities and staff, and double-billed for urinalysis testing. The FEHBP paid \$539,373.29 in the scheme. Four individuals were indicted in the U.S. District Court for the Southern District of Florida and arrested. Charges included violations of the Travel Act, health care fraud, and money laundering. In January 2019, one individual pled guilty to conspiracy to commit health care fraud.

## **Retirement Investigations**

In fiscal year 2018, OPM's Retirement Services office improperly paid \$284.08 million to retirees, survivors, representative payees, and families. One of the most common causes of improper payments is failure to verify the deaths of annuitants, which sometimes allows improper payments to continue for years and costs hundreds of thousands of dollars. Fraud by forged documents, identity theft, and other schemes also highlight program vulnerabilities, and in some cases may stop Federal retirees or rightful annuitants from receiving their deserved benefits.

## **Deceased Annuitant**

- ❖ We received a retirement annuity file referred from OPM's Retirement Inspections office (Retirement Inspections) regarding an overpayment of \$71,701.13. Our special agents found that the daughter of the deceased annuitant forged signatures on multiple documents. In March 2019, in the U.S. District Court for the District of Connecticut, she pled guilty to theft of Government funds for stealing the annuity.
- ❖ We received a referral from Retirement Inspections regarding an annuitant's unreported death in 1994. OPM paid \$611,956.86 in improper payments. While some funds were recovered through U.S. Department of the Treasury's reclamation process, the remaining improper payment's due balance totaled \$467,178.53. Our investigation found the annuitant's daughter withdrew funds, but she died in June 2014. Other than automatic payments, no activity from the account occurred after the death of the daughter.

Therefore, the case was closed and the total recovery was the initial reclamation of \$144,778.33.

- ❖ We received a referral from the U.S. Attorney's Office for the District of Maryland regarding fraud involving a deceased survivor annuitant and an improper payment of over \$47,000 paid between the survivor annuitant's September 1998 death and the overpayment discovery in January 2018. A Federal indictment in the U.S. District Court for the District of Maryland charged a subject with embezzlement of Government property. Our special agents arrested the subject in January 2019.
- ❖ We received a referral from a Federal law enforcement partner that a Federal annuitant died in November 2011 but continued to receive Civil Service Retirement System (CSRS) payments beyond that date. OPM paid the annuity until April 2018 for an improper payment totaling \$49,032.86. The joint owner of the account withdrew funds after the annuitant's death. She was indicted in the U.S. District Court for the District of Maryland and pled guilty to embezzlement of Government property. In January 2019, the court sentenced the subject to 3 years of supervised probation and 3 months of house arrest. OPM recovered \$6,955.49 through the Treasury reclamation process, and the court ordered restitution of \$42,077.
- ❖ We were referred an allegation by Retirement Inspections that alleged a subject stole by fraud a retirement annuity after the rightful annuitant died in October 1997. OPM continued to pay the annuity until May 2015, and the improper payments totaled \$101,774. Our investigation attempted to contact the subject alleged to have changed the annuitant's address and payment information, but the subject died in August 2018. In January 2019, the U.S. Attorney's Office for the Middle District of Pennsylvania declined to pursue civil forfeiture against the estate due to the low property value.
- ❖ We were referred an allegation by Retirement Inspections about a possible fraud after the unreported death of a retired annuitant. The annuitant died in February 2012, but payments continued until September 2016, resulting in an overpayment of \$86,209.01. The reclamation process recovered \$8,778.60, leaving a balance of \$77,430.41. In August 2018, the annuitant's daughter was indicted on one count of theft of Government property, one count of aggravated identity theft, and one count of aiding and abetting. In January 2019, she pled guilty in the U.S. District Court for the District of Maryland to one count of theft of Government property, and now awaits sentencing.

## **National Security Investigations**

OPM's National Background Investigations Bureau (NBIB) conducts background investigations of Federal job applicants, employees, members of the armed services, and contractor personnel for suitability and security purposes. Allowing the employment of or granting security clearances to potentially unsuitable persons through fraudulent, falsified, incomplete, or incorrect background investigations creates vulnerabilities within the Federal workforce detrimental to Government operations. We provide external oversight of NBIB's background investigations to protect the integrity of these background investigations.

## **Falsifications of Background Investigations**

- ❖ We received a referral from NBIB's Integrity Assurance office that a contract background investigator submitted false and inaccurate Reports of Investigation (ROIs). Ultimately, 35 falsified ROIs were discovered and the calculated recovery costs totaled \$126,693.17. In January 2019, the background investigator was indicted in the U.S. District Court for the District of Columbia on four counts of wire fraud and four counts of making false statements.

## **Impersonation of a Federal Agent**

- ❖ In September 2018, we received a referral from NBIB's Integrity Assurance office regarding a background investigator who allegedly impersonated a law enforcement officer. While working as a process server for the Prince George's County, Maryland, Civil Court, the background investigator allegedly claimed to be law enforcement and wore their assigned NBIB badge and a holstered handgun. In January 2019, the District Court of Maryland for Prince George's County issued a criminal information for the background investigator for impersonating a police officer and unlawfully carrying a handgun.

## **Integrity**

In addition to conducting criminal and civil investigations, our office also conducts administrative investigations into fraud, waste, abuse, and mismanagement at OPM. We investigate cases involving OPM employees and contractors, including those referred through the OIG Hotline. Integrity investigations may involve whistleblowers and/or retaliation, and are an important part of the OIG's mission of providing independent oversight and reducing program vulnerabilities.

## **Misuse of Government Funds**

- ❖ In September 2018, we initiated an investigation into an OPM OIG employee based on information alleging that the employee's Government travel card was used for personal and/or unauthorized transactions. We found the employee neglected to follow guidance in the OPM Financial Management Manual and displayed a lack of candor when questioned. Our investigators presented the case to the U.S. Attorney's Office for the District of Maryland for theft of Government property, bank fraud, and false statements. However, because the cardholder was financially responsible for any charges and because of the administrative remedies available to OPM, the case was declined for prosecution. The employee resigned in February 2019.

## **Prohibited Personnel Practices**

- ❖ We received an allegation via our OIG Hotline that a manager in an OPM program office engaged in prohibited personnel actions and retaliation against the complainant. Our



investigation concluded in February 2019, and found no prohibited personnel practices that would afford whistleblower protections to the complainant, and therefore no retaliation. Additionally, we did not find any unfounded actions taken by the manager.

## **Glossary**

### **OPM Programs**

**OPM-administered Federal Retirement Programs** include two primary Federal defined-benefit retirement plans: the **Civil Service Retirement System (CSRS)**, which covers employees hired by the Federal Government between 1920 and 1986, and the **Federal Employees Retirement System (FERS)**, which covers employees hired after 1987. These plans provide monthly annuities that are based on a Federal Government retiree's service. Additionally, **OPM Disability Retirement** allows for FERS-eligible Federal employees who become disabled to collect benefits.

**The Federal Employees Dental and Vision Insurance Programs (FEDVIP)** make supplemental dental and vision insurance available to Federal employees and retirees who are eligible for Federal employment benefits. FEDVIP operates on an enrollee-pay-all basis and creates a group pool that allows for competitive premiums and no preexisting condition limitations.

**The Federal Employees Group Life Insurance (FGLI) Program** is the largest group life insurance program in the world, covering over 4 million Federal employees and retirees, as well as many of their family members. It provides a standard group term life insurance as well as elective coverage options.

**The Federal Employees Health Benefits Program (FEHBP)** provides health insurance to Federal employees, retirees, and their dependents. It is the largest employer-sponsored health insurance program in the world and administers benefit payments within a universe of over 200 health plans, including health maintenance organizations (HMOs) and fee-for-service (FFS) health plans from a number of private health insurance carriers.

**Improper Payments** are disbursements that should not have been made or were made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. The reduction of improper payments is a President's Management Agenda goal across all Executive Branch agencies. In fiscal year 2018, OPM reported Retirement Programs and the FEHBP combined to make more than \$355.5 million in improper payments.

**The OPM OIG Hotline** is mandated by the Inspector General Act of 1978, as amended, and helps ensure the proper and efficient use of taxpayer dollars for the American people. Government employees, contractors, or members of the public can report criminal activity, fraud, waste, abuse, and mismanagement of OPM programs via the Hotline. OIG Hotline staff review and process complaints, and complaints may result in an investigation, audit, or inspection performed by the OIG. Reports to the OPM OIG hotline may be made online via <https://www.opm.gov/our-inspector-general/hotline-to-report-fraud-waste-or-abuse/complaint-form/> or by telephone at 1-877-499-7295.

## Health Care and Insurance

**Carriers** are private health insurance companies that contract with the FEHBP to provide health insurance benefits to Federal employees and retirees and their dependents. These insurance plans include HMOs and FFS health plans.

**Compounded Medications** are medications (often liquids or creams) made to fit the individual needs of a patient. The FDA does not approve compounded drugs. A variety of health care fraud schemes involve compounded drugs: unscrupulous providers prescribing compounded medications without medical relationships with patients; prescribing medically unnecessary, ineffective, and/or exorbitantly priced compounded drugs; and prescribing compounded drugs in exchange for inducements or illegal compensation.

**The False Claims Act** allows for the prosecution of any person who knowingly submits false claims to the Government, including making a false record or statement to cause a false claim to be paid, or acting improperly to avoid paying the Government. It includes civil penalties for each false claim. Additionally, the False Claims Act allows for qui tam lawsuits wherein a member of the public files as a relator to sue on behalf of the Government. The relator may be compensated a percentage of the amount the Government recovers through the lawsuit.

**Ineligible Dependents** are persons who receive benefits from a Federal employee's benefits plan (most often from the FEHBP) but are not eligible to receive these benefits under statutory or regulatory guidelines. Former spouses, friends, self-sufficient children aged older than 26, and extended family (such as grandchildren) are common ineligible dependents. Any payment to an ineligible dependent is an improper payment.

**Medically Unnecessary Services** are items and services that are unreasonable or unnecessary for the diagnosis or treatment of an illness or injury. Medically unnecessary services are often provided in exchange for inducements or as part of health care fraud schemes.

**Pass-Through Billing Schemes** involve unscrupulous providers paying a laboratory to perform tests but filing claims with an insurance company or Government program as if the provider or a related entity conducted the test. Pass-through billing schemes generate improper payments through inflated reimbursement or as part of an arrangement involving illegal inducements.

**Services Not Rendered** are procedures, tests, or appointments not performed by a provider but still billed as such, or billed inaccurately to misrepresent services as something eligible for a higher reimbursement than the services actually performed.

**The Travel Act** provides for Federal-level criminalization of business activities that are illegal under certain State laws (e.g., bribery) if interstate commerce, travel, or mail was part of the illegal business activities. Recent use of the Travel Act is a pioneering enforcement strategy that allows us to pursue fraud schemes when relevant State laws have been broken.

**Unbundling** is a health care fraud scheme where a procedure or office visit is separated into multiple billing codes when the procedure or visit should be billed under a single “panel” or inclusive code. Unbundling creates improper payments through inflated reimbursement.

### **Special Topic: The Opioid Epidemic**

**Opioids** are a class of pain medication labeled as **Schedule II drugs**, i.e., “drugs with a high potential for abuse, with use potentially leading to severe psychological or physical dependence.” While largely safe when taken as prescribed by a doctor and according to medical best practices, opioids are often abused and can cause addiction, overdose, and death. Opioid drugs include **oxycodone**, one of the most common and most abused prescription drugs, and **fentanyl**, which has emerged as a dangerous additive to drugs such as heroin and can lead to overdoses in even small amounts.

**A Pill Mill** is a health care provider, facility, or pharmacy that prescribes and/or dispenses drugs without legitimate medical purpose.

**Sober Homes** aim to provide safe and drug-free residences for individuals suffering from addiction, but unscrupulous sober homes may submit patients to unnecessary, expensive, and excessive testing as part of a health care fraud scheme.

### **Retirement Programs**

**A Federal Annuitant** is a retiree or spouse of a retiree who receives an annuity from OPM.

**Reclamation** is the process by which Retirement Services through the Department of the Treasury attempts to recover money paid to Federal annuitants when a financial institution, such as a bank, holds the funds.

**A Survivor Annuitant** is a surviving spouse or child entitled to receive OPM-administered benefits after the death of a Government employee receiving an annuity.

### **National Security**

**The National Background Investigations Bureau (NBIB)** conducts background investigations of Federal job applicants, employees, members of the armed services, and contractor personnel for suitability and security purposes. Background investigators submit their findings from interviews and other work in their **Reports of Investigation (ROIs)**.

### **Integrity**

**The U.S. Office of Special Counsel (OSC)** investigates and prosecutes prohibited personnel practices, whistleblower retaliation, and other violations that harm the civil service. As an outcome of our integrity investigations involving OPM employees, we may refer cases to the OSC for further action.