



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

Office of the
Inspector General

August 30, 2013

MEMORANDUM FOR ELAINE KAPLAN
Acting Director

FROM: PATRICK E. MCFARLAND *Patrick E. McFarland*
Inspector General

SUBJECT: Summaries of Recent OIG Investigations

As discussed at our recent monthly meeting, the purpose of this memorandum is to share with you the results of investigations recently conducted by my office.

You routinely receive copies of the Office of Inspector General Final Audit Reports, and we furnish you or your staff with executive summary reports on internal employee misconduct investigations. However, the majority of our investigative workload involves crimes affecting U.S. Office of Personnel Management (OPM) programs committed by external parties. In order to inform you of the impact these crimes have on OPM programs, periodically we provide brief summaries of investigations that have been resolved and are a matter of public record.

Examples of our investigations resolved during the period April 1, 2013 through June 30, 2013 are attached.

Please note that during this same time period, we submitted seven debarment referrals to OPM. We recommended the debarment of five former contract background investigators criminally convicted of falsifying their Reports of Investigation, one former OPM employee criminally convicted of falsifying background investigations, and one former contract background investigator who improperly used his OPM-issued credentials in an attempt to justify carrying a personally owned firearm on school property (for which he was criminally convicted). OPM action on these debarment referrals is pending.

Please feel free to contact me if you have any questions, at 606-1200, or you may have someone from your staff contact Assistant Inspector General for Investigations Michelle B. Schmitz, at (757) 595-3968.

Attachment

cc: Liz Montoya, Chief of Staff

Angela Bailey, Associate Director, Employee Services

Kenneth Zawodny, Jr., Associate Director, Retirement Services

Mark Lambert, Associate Director, Merit System Audit & Compliance

John O'Brien, Director, Healthcare and Insurance

Merton Miller, Associate Director, Federal Investigative Service

Joseph Kennedy, Associate Director, Human Resources Solutions

Sharon McGowan, Acting General Counsel



U.S. Office of Personnel Management
Office of the Inspector General
Office of Investigations

Quarterly Case Summaries
August 2013

Our investigative workload involves crimes affecting U.S. Office of Personnel Management (OPM) programs. In order to inform the public of the impact of these crimes, we periodically provide brief summaries of significant investigations that have been resolved. Examples of investigations resolved during the period **April 1, 2013 through June 30, 2013** include:

Federal Employees Health Benefits Program (FEHBP) – False Claims: A *qui tam* relator, or whistleblower, alleged that Ranbaxy Inc. and subsidiaries (Ranbaxy), a pharmaceutical manufacturer based in India, engaged in illegal conduct concerning the manufacture, distribution, sale, and reporting of drugs, resulting in false claims being submitted to Federal health care programs. Ranbaxy reached a civil settlement agreement with the United States Department of Justice on May 9, 2013, which requires Ranbaxy to pay \$350,000,000 to the United States and the Medicaid Participating States. The FEHBP recovered \$20,432,587.49.

FEHBP – Off-Label Promotion and Drug Switching: A *qui tam* relator filed suit in the District of South Carolina, alleging that the biopharmaceutical company Amgen provided kickbacks to long term care facilities in exchange for their promotion of the drug Aranesp to treat anemia. Investigation verified that Amgen encouraged the facilities to identify patients who were taking a competitor drug and switch them to Aranesp, and also to recommend Aranesp to patients who had not been diagnosed with anemia. These actions resulted in the submission of false claims to Federal health care programs.

In a settlement dated April 2, 2013, Amgen agreed to pay \$24,900,000 to the United States and the Medicaid Participating States. The FEHBP recovered \$111,240.23.¹

FEHBP – Improper Billing: Pediatrix Medical Group, the largest provider of newborn hearing screenings in the U.S., submitted claims to the FEHBP and other Federal health care programs

¹ This settlement with Amgen is separate from the December 2012 global settlement reported in our Semi-Annual Report to Congress for the time period October 1, 2012 to March 31, 2013. Although both cases pertained to Amgen's sale of the drug Aranesp, the allegations were different.

for newborn hearing screenings performed at hospitals, when this service was included in the hospitals' charges for labor and delivery. This "unbundling" of services resulted in overcharges to the Government. This case was identified through the proactive efforts of a working group comprised of personnel from the OPM Office of the Inspector General (OIG) and the FEHBP Carrier Special Investigations Units, including the BlueCross BlueShield Federal Employees Program Special Investigations Unit. The allegations were jointly investigated by the OPM OIG, the Federal Bureau of Investigation, and the Defense Criminal Investigative Service.

In an April 11, 2013 settlement agreement negotiated by the U.S. Attorney's Office for the Northern District of Texas, Pediatrix agreed to pay \$1,008,889 for improperly billing insurance companies. The FEHBP recovered \$978,622.33.

FEHBP – False Claims: The Blue Cross Blue Shield Association informed the OPM OIG that a durable medical equipment supplier had submitted suspicious claims for custom-fit orthotic shoe devices to the FEHBP through Blue Cross Blue Shield of South Carolina. A Certified Pedorthist, a medical professional who specializes in the use of footwear and supportive devices to address conditions which affect the feet and lower limbs, was indicted for submitting materially false and misleading insurance claims. The defendant submitted fabricated Certificates of Medical Necessity with forged provider signatures in order for the claims to process and to receive payment.

On May 2, 2013, he was sentenced to probation for a term of three years, with participation in a home detention program for six months. The defendant was also ordered to pay a \$100.00 special assessment fee and restitution to the FEHBP in the amount of \$10,065.

FEHBP – Improper Billing: A *qui tam* relator alleged that Sound Inpatient Physicians, Inc. (SIP), which provides inpatient hospital care through staff hospitalists in the Pacific, Rocky Mountain, Northwest and Southwestern United States, overbilled and possibly double-billed by inflating (upcoding) the level of evaluation and management services provided to inpatients.

Subsequent to a multi-agency investigation, on June 28, 2013, a settlement agreement was filed by the U.S. Attorney's Office in Seattle, Washington. SIP agreed to pay the Government \$14,500,000 to settle the alleged improper billings to Federal health care plans, including Medicare, Medicaid, Tricare and the FEHBP. The FEHBP will recover approximately \$94,333 from this settlement.

FEHBP – Health Care Fraud and Money Laundering: A *qui tam* relator alleged that a medical doctor in Lakewood, Washington billed for more chemotherapy drugs than were actually administered, overstated chemotherapy infusion times, and double-billed for medication. The doctor's wife served as his bookkeeper and office manager. An investigation by the OPM

OIG, Health and Human Services OIG and Defense Criminal Investigative Service confirmed the allegations, and also revealed that the doctor and his wife transferred illegally obtained financial assets to their children. The doctor and his wife were indicted in 2011 for health care fraud and money laundering, and asset forfeiture was initiated. The doctor and his wife fled from justice, and are believed to be living in Taiwan. Although still wanted on the criminal charges, in June 2013, the doctor, his wife, and their children entered into a civil settlement agreement negotiated by the U.S. Attorney's Office for the District of Washington. They agreed to pay \$3,100,000, from which the FEHBP will recover its losses of \$17,505.57. The doctor also agreed to be excluded from Medicare, Medicaid, the FEHBP, and all other Federal health care programs for a period of 15 years.

FEHBP – Forged Prescriptions: The Loudoun County, Virginia Sheriff's Office informed the OPM OIG that a retired Federal employee was suspected of forging prescriptions and causing those prescriptions to be paid by the FEHBP. The retiree was formerly a Supervisory Special Agent with a Federal agency. Our joint investigation with the Sheriff's Office revealed over forty-six prescriptions were forged, for drugs such as Dilaudid, Roxicodone, Percocet, and Oxycontin. In June 2013, the retired Supervisory Special Agent was sentenced to 24 months supervised probation, 100 hours of community service, \$200 special assessment fee, fine in the amount of \$5000, and restitution to the FEHBP in the amount of \$6,557.44. In addition, he was required to participate in a program approved by the U.S. Probation Office for substance abuse.

FEHBP – Improper Billing: A *qui tam* relator alleged that urology practice in Las Vegas improperly billed for a variety of medical services. Review of medical records substantiated the allegations. In April 2013, a settlement agreement was finalized, in which the urology practice agreed to pay \$1,000,000 to the Government. From that sum, \$19,231.96 was returned to the FEHBP.

FEHBP – Misbranded, Unapproved Drugs: In June 2013, the owner of a hematology and oncology practice entered into a civil settlement agreement in the Eastern District of Tennessee after a multi-agency investigation discovered that he obtained misbranded, unapproved chemotherapy drugs from foreign sources, and then distributed those drugs to patients in the United States. The drugs were not approved for distribution or use by the U.S. Food and Drug Administration. Claims for the misbranded, unapproved drugs were filed with Medicare, TennCare, the FEHBP, and other Government health benefits programs. The defendant agreed to pay the Government \$2.55 million. The distribution of funds has not been finalized by the United States Attorney's Office, but the FEHBP is expected to recover over \$250,000.²

² The owner of the medical practice was also criminally convicted and sentenced to serve 24 months in federal prison. However, the OPM OIG's participation was limited to the civil investigation.

Retirement – Deceased Annuitant Fraud: OPM’s Retirement Inspections branch identified an annuitant whose February 27, 2002 death was not reported to OPM. As a result, OPM continued making annuity payments through April 2010, resulting in an overpayment of \$340,291.40. The annuitant’s son confessed to concealing his father’s death and to using the annuity payments for his own benefit. The son was convicted of theft of Government funds in the District of Hawaii. In June 2013, he was sentenced to nine months in prison, followed by three years of probation, the first six months of which will be spent in community confinement in a residential reentry center. He was also ordered to pay OPM \$340,291.40 in restitution and a \$100 assessment fee.

Retirement – Deceased Annuitant Fraud: The Death Master File project conducted by OPM’s Retirement Inspections branch revealed that an annuitant’s February 28, 1986 death was not reported to OPM. As a result, OPM continued making annuity payments through November 2006, resulting in an overpayment of \$406,026.08. Two OPM Address Verification Letters mailed by Retirement Inspections and addressed to the deceased after his death were returned to OPM bearing the deceased’s signature. The deceased’s step-son pled guilty to forging the signatures and to using the money for his own benefit.

In June 2013, the step-son was sentenced in California to six months in prison, followed by three years of probation, including six months of home detention. He was also ordered to pay OPM \$406,026.08 in restitution and a \$100 assessment fee.

Retirement – Deceased Annuitant Fraud: After receiving notification from the U.S. Secret Service regarding an overpayment to a deceased survivor annuitant, the OPM OIG and the Secret Service jointly investigated. The survivor annuitant died in 2004, but her death was not reported to OPM. After a two-day jury trial in the District of Massachusetts, her daughter was convicted of Theft of Government Money. On April 10, 2013, the daughter was sentenced to eight months imprisonment (time already served), followed by three months in a community corrections center, followed by six months of home confinement, followed by 36 months of supervised release. She was ordered to pay restitution to OPM in the amount of \$77,379.00 and also ordered to pay for her confinement in the community corrections center.

As part of the restitution, the U.S Attorney’s Office has filed an Order of Forfeiture for property owned by the defendant.

Federal Investigative Services – Falsification of Work Product: A former OPM contractor background investigator in Billings, Montana confessed to falsifying his work on the background investigations of Federal employees. The number of confirmed falsifications did not meet the threshold for Federal criminal prosecution. It cost OPM’s Federal Investigative Services \$150,368.82 to re-investigate his assigned cases in order to address the falsification concerns.

In May 2013, FIS recovered this amount through financial offset to USIS, the contractor that employed the investigator.

Federal Employees' Group Life Insurance (FEGLI) – Forged Claims: A Civil Service retiree designated his FEGLI death benefits to be paid equally to his four children. Following his death, one of his children submitted forged claims forms to Metropolitan Life Insurance Company in order to steal the death benefits intended for his siblings, and thereby received the entire amount of the life insurance benefit. The subject pled guilty to forgery in the Western District of Pennsylvania, and in June 2013 he was sentenced to 18 months in prison, three years of probation, and ordered to pay the Office of Federal Employees' Group Life Insurance \$117,307.77 in restitution.