



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

Quarterly Case Summaries

**Investigations Resolved
During the Period April 1, 2015 through June 30, 2015**

Issued August 2015

--CAUTION--

This Management Advisory Report has been distributed to Federal officials who are responsible for the administration of a program impacted by an investigation. This report may contain information compiled for law enforcement purposes, or proprietary data which is protected by Federal law (18 U.S.C. 1905). Therefore, while this report is available under the Freedom of Information Act and made available to the public on the OIG webpage (<http://www.opm.gov/our-inspector-general>), caution needs to be exercised before releasing the report to the general public as it may contain information that was redacted from the publicly distributed copy.

QUARTERLY CASE SUMMARIES

INTRODUCTION

Our investigative workload involves crimes affecting U.S. Office of Personnel Management (OPM) programs. Provided below are summaries of the Office of the Inspector General's (OIG) investigations resolved during the period April 1, 2015 through June 30, 2015.

FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM (FEHBP)

False Claims

- I 2011 00782: Relators filed a *qui tam* lawsuit in the U.S. District Court for the District of Utah alleging that Orbit Medical, Inc. (Orbit), a durable medical equipment supplier, submitted false claims to health care programs. The ensuing investigation confirmed the allegation, revealing that Orbit sales representatives altered prescriptions and supporting documentation to support their false claims. On May 26, 2015, Orbit entered into a settlement agreement that required them to pay the United States \$7,500,000. The FEHBP's portion of the total recovery was \$55,290. Separate claims are still pending against a former vice president and sales manager at Orbit.
- I-12-00086: A relator filed a *qui tam* lawsuit in the U.S. District Court for the Middle District of Florida alleging that nine hospitals in the Jacksonville, Florida area defrauded Federal health care programs by routinely ordering basic life support ambulances when this type of transport was not medically necessary. It was further alleged that Century Ambulance Service submitted false claims to Federal health care programs. The resulting investigation confirmed the allegations. Four defendants agreed to pay a total of \$7,542,315.77 to settle the civil allegations. Baptist Health System, Inc. owned four of the nine hospitals and agreed to pay \$2,881,768.00. HCA Holdings, Inc. also owned four of the hospitals and agreed to pay \$2,410,054.77. Shands Jacksonville Medical Center, Inc. owned one hospital and agreed to pay \$1,000,000.00. Century Ambulance Service, Inc. agreed to pay \$1,250,000.00. The FEHBP's portion of the total recovery was \$208,353.14.

Kickbacks

- I-14-00298: Two postal employees received kickbacks in exchange for agreeing to serve as patients so that a Florida health care clinic could bill health insurance programs, including the FEHBP, for medical services that were not medically necessary and not provided. In June 2015, both postal employees pled guilty to one count each of Conspiracy to Commit Health Care Fraud and were each sentenced to 60 months of probation, 12 months of home detention, and 450 hours of community service. They were also ordered to pay \$56,193 in restitution and a \$100 assessment fee. The Florida clinic submitted over \$5 million in false claims for services that were not provided. As

QUARTERLY CASE SUMMARIES

previously reported, the two owners of the clinic were found guilty of Conspiracy to Commit Health Care Fraud in 2013. One was sentenced to 41 months in prison, 36 months of probation and ordered to pay \$976,476 in restitution and a \$100 assessment fee. The other was sentenced to 30 months in prison, 6 months of probation and ordered to pay \$3,153,262 in restitution and a \$100 assessment fee. This investigation also identified an individual who assisted in the recruitment of patients and received a portion of the proceeds as a result of the false claims paid on behalf of the patients he recruited. In 2014, the recruiter was sentenced to 25 months imprisonment, 36 months of supervised release and ordered to pay \$1,473,504 in restitution and a \$100 assessment fee. This was a joint investigation with the Federal Bureau of Investigation.

Off-Label Promotion

- I 2011 00194: On June 26, 2015, the former Chief Executive Officer (CEO) of the OtisMed Corporation was sentenced to 24 months in prison and 12 months of probation, jail, plus a criminal fine of \$75,000, for his involvement in a fraud related to the distribution of a medical device called the “OtisKnee Orthopedic Cutting Guide,” which was designed for use in total knee replacement surgery. A whistleblower filed a *qui tam* lawsuit in the U.S. District Court for the District of New Jersey alleging that OtisMed marketed and distributed over 18,000 OtisKnee devices without approval from the Food and Drug Administration (FDA). In late 2008, after they’d already been selling the product for over 2 years, OtisMed attempted to obtain FDA approval. The FDA determined the device presented a potential for serious risk to the health and safety of the patient. The week after OtisMed was formally notified of the FDA’s decision, OtisMed shipped another 218 devices to surgeons across the country. This unsafe, illegally sold device was used on over 400 patients insured by the FEHBP. As we previously reported, in addition to the criminal charges against the CEO, OtisMed pled guilty to the charge of Introduction of Adulterated Medical Devices into Interstate Commerce with the Intent to Defraud and Mislead and on December 9, 2014 was sentenced to pay a \$34,400,000 criminal fine, a criminal forfeiture of \$5,160,000 and a \$400 court fee. OtisMed also paid a civil fine of \$41,158,232. The FEHBP’s portion of the total civil recovery was \$257,807.11. We worked on this case jointly with the Department of Health and Human Services OIG and the FDA’s Office of Criminal Investigations.

RETIREMENT PROGRAMS (CSRS and FERS)

Deceased Annuitant Fraud

- I-13-00960: The OIG at the Social Security Administration (SSA) notified us that the April 25, 1998 death of an annuitant had not been reported to SSA or OPM. As a result, OPM continued making annuity payments through August 2013, resulting in an overpayment of \$196,690.43. OPM recovered \$55,555.31 through reclamation from the

QUARTERLY CASE SUMMARIES

deceased's financial institution, leaving a balance due of \$141,135.12. SSA paid \$55,110 in benefits after the annuitant's death. An investigation revealed that after the annuitant died, her nephew continued to receive and spend the annuity. The nephew pled guilty to the charge of Theft of Government Funds and on May 21, 2015 was sentenced in the U.S. District Court for the Eastern District of Louisiana to 12 months in prison, 36 months of probation and ordered to pay \$192,245.12 in restitution (\$141,135.12 to OPM and \$51,110.00 to SSA), plus a \$100 assessment fee.

Fraudulent Court Order

- I-14-00521: A retired former SSA employee pled guilty to Mail Fraud and Aggravated Identity Theft and on May 28, 2015 was sentenced in the U.S District Court for the Northern District of Florida to 25 months in prison, 36 months of probation, and ordered to pay a \$200 assessment fee. The Federal retiree mailed a fraudulent "Redress of Alimony" order to OPM in an attempt to remove his former spouse as the surviving beneficiary of his Federal retirement annuity. The fraudulent document contained a forged signature of a circuit court judge and a certification stamp of the Clerk of the Court and falsely purported to order the termination of the retiree's obligations to provide health insurance, survivor benefits, and alimony to his former spouse.

FEDERAL INVESTIGATIVE SERVICES (FIS)

Debarment of Background Investigators

- During the period April 2015 through June 2015, the OIG referred one background investigator to OPM for debarment. The background investigator was referred for debarment for falsifying his work product, specifically reports regarding the background investigations he conducted. OPM debarred eight background investigators during this time period and reported to the OIG two additional debarments that occurred in the prior quarter.



Report Fraud, Waste, and Mismanagement

Fraud, waste, and mismanagement in Government concerns everyone: Office of the Inspector General staff, agency employees, and the general public. We actively solicit allegations of any inefficient and wasteful practices, fraud, and mismanagement related to OPM programs and operations. You can report allegations to us in several ways:

By Internet: <http://www.opm.gov/our-inspector-general/hotline-to-report-fraud-waste-or-abuse>

By Phone: Toll Free Number: (877) 499-7295
Washington Metro Area: (202) 606-2423

By Mail: Office of the Inspector General
U.S. Office of Personnel Management
1900 E Street, NW
Room 6400
Washington, DC 20415-1100

--CAUTION--

This Management Advisory Report has been distributed to Federal officials who are responsible for the administration of a program impacted by an investigation. This report may contain information compiled for law enforcement purposes, or proprietary data which is protected by Federal law (18 U.S.C. 1905). Therefore, while this report is available under the Freedom of Information Act and made available to the public on the OIG webpage (<http://www.opm.gov/our-inspector-general>), caution needs to be exercised before releasing the report to the general public as it may contain information that was redacted from the publicly distributed copy.