



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

Office of the  
Inspector General

November 6, 2014

MEMORANDUM FOR KATHERINE ARCHULETA  
Director

FROM: PATRICK E. McFARLAND  
Inspector General

A handwritten signature in black ink that reads "Patrick E. McFarland".

SUBJECT: Summaries of Recent OIG Investigations

The purpose of this memorandum is to share with you the results of investigations recently conducted by the Office of the Inspector General (OIG). We routinely share with you the results of our oversight efforts of OPM programs and operations, including reports on internal employee misconduct investigations. The majority of our investigative workload involves crimes affecting the U.S. Office of Personnel Management (OPM) programs committed by external parties. Attached are examples of our investigations resolved during the period July 1, 2014 through September 30, 2014.

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

Attachment

cc: Anne Marie Habershaw, Chief of Staff  
Dennis D. Coleman, Chief Financial Officer  
Angela Bailey, Chief Operating Officer  
Mark Reinhold, Associate Director, Employee Services  
Kenneth Zawodny, Jr., Associate Director, Retirement Services  
Mark Lambert, Associate Director, Merit System Accountability & Compliance  
John O'Brien, Director, Healthcare and Insurance  
Adam Spielman, Senior Advisor, Healthcare and Insurance  
Merton Miller, Associate Director, Federal Investigative Services  
Joseph Kennedy, Associate Director, Human Resources Solutions  
Kamala Vasagam, General Counsel  
Dean Hunter, Director, Facilities, Security and Contracting

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

Quarterly Case Summaries  
October 2014

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Our investigative workload involves crimes affecting U.S. Office of Personnel Management (OPM) programs. Provided below are summaries of some of the investigations resolved during the period July 1, 2014 through September 30, 2014.

**Federal Employees Health Benefits Program (FEHBP) -False Claims**

- I 2010 00108: OPM's OIG received a referral from the Federal Bureau of Investigation regarding allegations that HBO II Works, a hyperbaric oxygen therapy company in Texas, intentionally double-billed Federal health care programs for services they performed. The three owners of the company pled guilty and were sentenced in the U.S. District Court for the Northern District of Texas. Two of the owners were sentenced to five years in prison, two years of probation and ordered to pay \$1,503,442.45 (combined) in restitution and a \$100 assessment fee. The FEHBP's portion of the recovery was \$103,184.36. The third owner was sentenced to three years of probation and ordered to pay \$237,632.98 in restitution to Southwest Bank and a \$100 court assessment fee.
- I-12-00084: A *qui tam* relator filed suit in the U.S. District Court for the District of Arizona alleging that Carondelet Health Network (Carondelet) submitted false claims to Medicare and other Federal health care programs. The relators alleged that Carondelet improperly billed Federal health care programs for inpatient rehabilitation facility services by failing to meet rehabilitation therapy time requirements and failing to perform other required services such as pre-admission screening. An investigation into this matter resulted in a civil settlement agreement that required Carondelet to pay the United States \$35 million. The FEHBP's portion of the total recovery was \$439,401.68.
- I-13-00391: Two separate *qui tam* relators filed suit, one in the U.S. District Court for the Southern District of Ohio and one in the U.S. District Court for the Eastern District of Virginia, alleging that Bostwick Laboratories, Inc. (Bostwick) submitted false claims to the Medicare, Medicaid and FEHB programs. Bostwick allegedly billed Federal health care programs for services and tests without the treating physicians' consent or order and without medical necessity. In addition, the relators alleged that Bostwick offered incentives to induce the referral of Medicare and Medicaid business. In a civil settlement, Bostwick agreed to pay the United States \$7,200,000, \$1,152,000 of which was applied to resolve the claims in the Virginia Civil Action and \$6,048,000 of which was applied to resolve the claims in the Ohio Civil Action. The FEHBP's portion of the total recovery was \$138,216.15.

- I-14-00250: The U.S. Attorney's Office for the Eastern District of Virginia notified OPM's OIG of a doctor employed by Capital Caring who was allegedly improperly billing Federal health care programs. An investigation revealed that the doctor frequently used billing codes that were not warranted for initial patient visits and hospital visits, resulting in overcharging the FEHBP. Capital Caring entered into a settlement agreement that required them to pay the United States \$80,779.28. The FEHBP's portion of the total recovery was \$4,494.27.

#### **FEHBP - Off-Label Promotion**

- I 2011 00036: A former executive and three former sales representatives of Shire Pharmaceuticals LLC (Shire) filed separate suits alleging that Shire violated the False Claims Act as a result of its marketing and promotion of several drugs. Shire allegedly promoted Adderall XR for certain uses although they had no clinical data to support such claims. In addition, Shire allegedly made unsupported claims about the effectiveness of the drugs Vyvanse and Daytran and promoted the drugs Lialda and Pentasa for uses that were not approved by the Food and Drug Administration (FDA). A civil settlement agreement resolved these allegations and required Shire to pay the United States and the Medicaid Participating States a total of \$56.5 million. The FEHBP's portion of the total recovery was \$1,178,121.61.
- I 2011 00027: A *qui tam* relator filed suit in the U.S. District Court for the Western District of Texas alleging that Vascular Solutions Inc., a medical device company, marketed and sold laser therapy products for treatment of medical conditions that were not approved by the FDA to treat. In a civil settlement agreement, Vascular Solutions Inc. agreed to pay the United States \$520,000. The FEHBP's portion of the total recovery was \$11,456.27.

#### **FEHBP - Suspension and Debarment**

- During the period July 2014 through September 2014, the OIG's Office of Investigations referred six physicians to the OIG debarment official to consider for debarment from participation in the FEHBP.

#### **Retirement Program - Deceased Annuitant Fraud**

- I-12-00601: The Department of the Treasury identified an annuitant whose May 10, 2010 death had not been reported to OPM. As a result, OPM continued making annuity payments through April 2012, resulting in an overpayment of \$32,802.41. OPM recovered \$12,883.61 through the reclamation process with the deceased's financial institution, leaving a balance due of \$19,918.80. An investigation revealed that after the annuitant's death, her daughter changed the address to which OPM mailed her mother's monthly annuity checks and cashed the checks at Money Mart, a check cashing business near her home. On July 9, 2014 she was found guilty of Theft of Government Monies and sentenced in the U.S District Court for the Eastern District of Virginia to six months in prison, 36 months of probation and ordered to pay \$19,918.80 in restitution to OPM,

\$9,983.23 in restitution to Money Mart, and a \$100 court assessment fee (two checks totaling \$2,900.38 had not been cashed).

- I-14-00786: The OIG at the Social Security Administration (SSA) notified OPM's OIG of the unreported death of an annuitant. The annuitant died on April 18, 2003, but OPM continued making annuity payments through April 2014, resulting in an overpayment of \$230,637.55. OPM recovered \$14,863.63 through the reclamation process, leaving a balance due of \$215,773.92. The individual who served as the annuitant's Power of Attorney was found guilty of embezzlement and Theft of Public Money and sentenced in the U.S. District Court for the Southern District of Texas to two years in prison, two years of probation and ordered to pay \$373,814.66 in restitution and a \$100 court assessment fee. OPM received \$218,820.06 and SSA received \$154,994.60.

### **Federal Investigative Services (FIS) -False Statements by Background Investigators**

- I 2010 00873: FIS' Integrity Assurance office notified OPM's OIG that a contract background investigator employed by U.S. Investigations Services (USIS) allegedly falsified reports while conducting background investigations. The contract background investigator pled guilty to making false statements and on July 25, 2014 was sentenced in the U.S. District Court for the District of Columbia to 36 months of probation, six months of home confinement, 150 hours of community service and ordered to pay \$173,446.22 in restitution and a \$100 court assessment fee.
- I-12-00185: FIS' Integrity Assurance office notified OPM's OIG that a contract background investigator allegedly falsified reports while conducting background investigations. The background investigator pled guilty to making false statements and on September 19, 2014 was sentenced in the U.S. District Court for the District of Columbia to three months in prison, 24 months of probation, 100 hours of community service and ordered to pay \$86,161.86 in restitution and a \$100 court assessment fee.

### **FIS -Contractual Offset**

A contractual offset is when a contract employee is found guilty of falsifying background investigations, FIS must redo the falsified work. FIS requests a contractual offset from the contractor for the cost of the recovery effort and the contractor subtracts the cost from future billings.

- I 2010 00458, I 2010 00824, I 2011 00755, C-12-00243, and I-12-00246: FIS' Integrity Assurance office conducted recovery projects on five different investigations of falsifications by contract background investigators. FIS received \$667,419.64 in contractual offsets for the costs they incurred during the recovery efforts.

### **FIS -Debarment of Background Investigators**

- During the period July 2014 through September 2014, the OIG referred three contract background investigators to OPM for debarment. Two of the investigators were employed by USIS and one by CACI. These contract background investigators were referred for falsifying work they conducted on background investigations.

## Prior Period Reporting

- I-13-01027: OPM's OIG received information from the Department of Health and Human Services OIG alleging that Virginia Retina Center billed Medicare and the FEHBP for the use of drugs that they had received for free through a sampling program with a biotech company that develops and manufactures medicines. Virginia Retina Center entered into a settlement agreement in the U.S. District Court for the Eastern District of Virginia agreeing to pay the United States \$47,197.18. The FEHBP's portion of the total recovery was \$2,496.59.
- I-13-00849: A *qui tam* relator filed suit in the U.S. District Court for the Northern District of New York alleging that Imagimed, a magnetic resonance imaging (MRI) facility, falsely billed Federal health insurance programs for MRI procedures conducted without a qualified physician present. The relator also alleged that the owners of Imagimed provided cash and gifts to local providers in exchange for patient referrals. A civil settlement resolved Imagimed's and the owners' violations of the False Claims Act and required them to pay \$3,575,000 to Federal and state health insurance programs. The FEHBP's portion of the recovery was \$58,657.03.
- 12009 00047: A *qui tam* relator filed suit in the U.S. District Court for the Western District of Washington alleging that an oncologist practicing in Lakewood, Washington overbilled Federal health care programs for cancer treatment drugs that he administered to his patients. The oncologist and his wife allegedly destroyed records, falsified patients' medical records and attempted to sell, transfer, and conceal millions of dollars in assets in an effort to conceal the fraud and to prevent the government from recovering its overpayments. To settle the allegations that they overbilled Federal healthcare programs, the couple agreed to pay the United States \$3,100,000. The FEHBP's portion of the total recovery was \$20,436.30.
- I 2010 00939: A *qui tam* relator filed suit in the U.S. District Court for the Western District of Washington alleging that Sound Inpatient Physicians, Inc. (Sound Inpatient) knowingly submitted inflated claims for payment to Federal health care programs for higher and more expensive levels of service than were documented in patients' medical records. The services performed did not meet the level billed and/or the available documentation did not support the level billed. Sound Inpatient paid \$14,500,000 to settle these allegations. The FEHBP's portion of the recovery was \$103,119.28.
- I 2008 00128: A *qui tam* relator filed suit in the U.S. District Court for the Central District of California alleging that Lynch Ambulance (Lynch) filed false claims to Medicare and other Federal health care programs. The relator alleged that Lynch submitted claims for transporting patients whose transport was not medically necessary. In a settlement agreement, Lynch agreed to pay the United States \$3,050,550. The FEHBP's portion of the total recovery was \$14,425.67.