



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

Office of the
Inspector General

July 23, 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 April 1, 2014 through June 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
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

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

Quarterly Case Summaries
July 2014

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 April 1, 2014 through June 30, 2014.

Federal Employees Health Benefits Program (FEHBP) – False Claims

- A former sales representative for the pharmaceutical company Astellas Pharma US Inc. (Astellas) filed suit in the U.S. District Court for the Eastern District of Pennsylvania alleging that Astellas violated the False Claims Act by marketing and promoting the drug Mycamine for pediatric use during a period of time when the U.S. Food and Drug Administration (FDA) had not approved Mycamine to treat pediatric patients for any use. An investigation resulted in a civil settlement agreement, which required Astellas to pay the United States \$7,300,000. The FEHBP's portion of the total recovery was \$202,975.92.
- A *qui tam* relator filed suit in the U.S. District Court for the Western District of Kentucky alleging that Elizabethtown Hematology Oncology, PLC (EHO) submitted false claims for payment to Medicare, Medicaid, TRICARE and the FEHBP. An investigation revealed that EHO unnecessarily extended the duration of chemotherapy infusion treatment times for their patients in order to improperly bill for the additional treatments. EHO entered into a civil settlement agreement which required them to pay the United States \$3,739,325.41. The FEHBP's portion of the total recovery was \$289,380.23.
- Three former employees of Hope Cancer Institute filed a *qui tam* action in the U.S. District Court for the District of Kansas alleging that the owner of Hope Cancer Institute submitted claims to Medicare, Medicaid and the FEHBP for drugs and services that were not provided. The owner allegedly instructed his employees to bill for a predetermined amount of cancer drugs when lower dosages of these drugs were actually provided to patients, resulting in inflated claims to Federal health care programs. An investigation into the allegations resulted in a civil settlement agreement, which required the owner to pay the United States \$2,945,187. The FEHBP's portion of the total recovery was \$124,214.64.
- A former employee of Baptist Health System, the parent company for a network of affiliated hospitals and medical providers, filed suit in the U.S. District Court for the Middle District of Florida alleging that Baptist Health System submitted claims to

Federal health care programs for medically unnecessary services and drugs. Physicians who worked for the Baptist Health network allegedly misdiagnosed patients with various neurological disorders, which caused billings for medically unnecessary services. An investigation into this matter resulted in a civil settlement agreement. The agreement required Baptist Health System to pay the United States \$2,570,512. The FEHBP's portion of the total recovery was \$68,988.13.

FEHBP – Unlawful Distribution of Controlled Substances

- The U.S. Attorney's Office in Topeka, Kansas notified OPM's OIG of a physician accused of unlawfully prescribing prescription drugs from his health clinic, Manhattan Pain and Spine. The physician instructed his employees to distribute controlled substances to his patients using blank prescription pads that he signed in advance. None of his employees had lawful authority to distribute controlled substances. On April 9, 2014, the physician was found guilty of Conspiracy to Distribute Narcotics in the U.S. District Court for the District of Kansas and sentenced to five years in prison and three years of probation and ordered to pay \$100,722.38 in restitution, a \$25,000 fine and a \$100 assessment fee. The FEHBP's portion of the total recovery was \$6,363.48. One of the physician's employees was found guilty of Conspiracy to Distribute Controlled Substances and was sentenced to two years of probation and ordered to pay a \$100 assessment fee.

FEHBP – Suspension and Debarment

- During the period April 2014 through June 2014, the OIG debarred one physician from participating in the FEHBP as a result of a referral from our Office of Investigations. In addition, the Office of Investigations referred to the OIG debarment official 16 other physicians to consider for debarment and two for suspension.

FEHBP - Identity Theft

- On June 28, 2013, Coventry Health Care notified OPM's OIG that an American Foreign Service Protective Association (AFSPA) employee provided a written statement to investigators in which she admitted to providing Personally Identifiable Information (PII) of AFSPA members to her boyfriend. AFSPA is the sponsor of the Foreign Service Benefit Plan. On July 25, 2013, a federal indictment was filed in the U.S. District Court for the Eastern District of Virginia charging nine individuals with conspiracy to commit bank fraud, access device fraud and identity theft. An investigation revealed that the defendants were members of a criminal organization engaged in large-scale identity theft and fraud in the Washington, D.C. metro area. Between January 2012 and July 2013, this criminal organization stole the identities of more than 600 individual victims and used those victims' identities on fraudulent identification documents to obtain money and other property from financial institutions and retailers. Between December 6, 2013 and April 4, 2014, eight of the indicted were found guilty of these crimes and were sentenced. All eight individuals were sentenced to jail, with terms ranging from five to 144 months. All were placed on probation, for terms ranging from 24 to 60 months. All were sentenced to court fines, ranging from \$100-\$300. Five were ordered to pay restitution, for amounts totaling \$362,854.08 (the individual restitution orders ranged from \$4,136.30 to \$161,908.03). Restitution was paid to the financial institutions that incurred losses as a

result of the fraudulent activity. The ninth individual indicted is currently serving a 15-year sentence on related charges in Prince William County, Virginia.

Retirement Program – Representative Payee Fraud

- A Health Care Analyst Consultant assigned to the United States Attorney's Office (USAO) for the Eastern District of Pennsylvania contacted OPM's OIG to report the misuse of retirement annuities by an individual acting as the representative payee for a Civil Service retiree. An investigation revealed that the accused used retirement annuities totaling \$7,936.86 for her personal benefit rather than for that of the annuitant. Although the USAO referred this case, it was prosecuted locally. On June 11, 2014, the Court of Common Pleas of Philadelphia County sentenced the subject to two years of Accelerated Rehabilitative Disposition (ARD) probation and ordered her to pay \$7,936.80 in restitution. In addition, she is prohibited from owning or operating a personal care or boarding home or serving as a representative payee or beneficiary for any Federal or state program during the two years of ARD probation. ARD is a special pre-trial intervention program in the Commonwealth of Pennsylvania for non-violent offenders with no prior or limited record.

Federal Investigative Services (FIS) – Debarment of Background Investigators

- During the period April 2014 through June 2014, the OIG referred ten background investigators to OPM for debarment. The OIG referred these background investigators to OPM for debarment for falsifying work they conducted on background investigations of Federal employees.