Quarterly Case Summaries

Investigative Activities
FY 2018
July 2018 — September 2018
Issued: October 2018

-- Caution --

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I. HEALTH CARE FRAUD INVESTIGATIONS

Health care fraud cases are often time-consuming, complex, may involve several health care providers defrauding multiple health insurance plans and programs. The U.S. Office of Personnel Management (OPM) Office of the Inspector General (OIG) Office of Investigations’ criminal and civil investigations are critical to protecting Federal employees, annuitants, and members of their families who are eligible to participate in the Federal Employees Health Benefits Program (FEHBP). Of particular concern are cases that involve harm to patients, pharmaceutical fraud, opioid abuse, and the growth of medical identity theft and organized crime in health care fraud, all of which have affected the FEHBP.

The following health care fraud case summaries represent some of our activities during fourth quarter of fiscal year 2018, between July 1, 2018, and September 1, 2018.

**Case Summaries:**

- In July 2015, we received a case referral from the Department of Defense (DoD) Defense Criminal Investigative Service (DCIS) through the U.S. Attorney’s Office for the Middle District of Florida regarding a pharmacy identified as a top biller of compounded prescription drugs. It was additionally alleged that the pharmacy falsely obtained certification to become a network provider with TRICARE, the civilian health benefits program for military personnel and retirees, and the FEHBP by submitting false information. Over the course of the fraud, the FEHBP’s exposure was approximately $355,562.03. On August 2, 2018, the Government reached a settlement agreement with the pharmacy, and because of that settlement, the FEHBP will receive $67,328.10.

- In September 2011, we received a qui tam referral from the U.S. Department of Justice (DOJ) regarding alleged False Claims Act violations by a global pharmaceutical company. Allegedly, the company illegally promoted osteoporosis medications with false claims of superiority over competitor drugs. The company also promoted its drug as improving patient compliance without clinical evidence for the claim. The company used kickback schemes, such as sham medical education events, to induce physicians to increase the number of prescriptions for the medication. Between October 2009 and February 2012, the FEHBP paid claims exposure of $310,182,855.11. In October 2015, as part of a global settlement, the pharmacy company agreed to pay $125 million to resolve its criminal and civil liability. The FEHBP received $1,071,374.99. Between June 2015 and October 2016, four company employees were convicted and sentenced in the U.S. District Court for the District of Massachusetts for various crimes, including health care fraud and conspiracy to commit health care fraud. In April 2018, an additional provider was convicted of wrongful disclosure of individually identifiable health information and obstruction of health care investigations. On September 19, 2018, that provider was sentenced to 12 months of probation. The court did not order fines or restitution.

- On April 24, 2014, we received a qui tam referral alleging that a provider telemarketed to patients and sent durable medical equipment while billing Medicare, TRICARE, or the FEHBP for the unnecessary equipment. The financial impact to the FEHBP was
On August 7, 2018, a civil settlement was reached with the provider. Restitution has not been determined yet.

- In March 2015, we received a whistleblower complaint from DOJ regarding a provider and cardiologist office that alleged the provider billed for services not medically necessary. The provider also allegedly created false documentation to obtain insurance preauthorization for procedures and engaged in a kickback scheme that involved inflated rent payments and other financial inducements to medical providers in return for patient referrals. Between 2012 and 2013, the FEHBP exposure was $17,024.21. In July 2017, a complaint charged the provider with violations of the Anti-Kickback Act. Upon learning the provider was attempting to flee the country, the provider was arrested. In February 2018, the provider pled guilty to conspiracy to defraud the United States. On August 9, 2018, the provider was sentenced to 34 months of incarceration, 3 years of supervised release, and 100 hours of community service. He was also ordered to pay restitution totaling $217,364.83, of which the FEHBP received $17,024.21.

- We received a case referral in April 2012 related to an ongoing investigation of a medical center and its owners and providers. The alleged scheme involved waiving coinsurance and patient financial responsibility for those with out-of-network benefits and paid kickbacks to doctors for referrals. The FEHBP paid $18,150,555 in claims related to this investigation. In November 2016, 21 defendants were indicted. In January 2017, one subject pled guilty to misprision of a felony and one subject pled guilty to conspiracy to pay and receive health care bribes and kickbacks. In February 2017, separate additional subjects pled guilty, one to misprision of a felony and one to conspiracy to pay and receive health care bribes and kickbacks. In August 2017, a superseding indictment was filed on 17 of the original 21 defendants charging violations of the Travel Act, money laundering, violations of the Anti-Kickback Statute, and conspiracy. In July 2018, two defendants pled guilty to conspiracy to pay and receive health care bribes and kickbacks. In August 2018, two additional providers pled guilty to conspiracy to pay and receive health care bribes and kickbacks.

- We received a qui tam alleging a provider used a blanket agreement with physicians that allowed the provider to substitute medications for those originally prescribed. The substitutions were based on insurance reimbursement rates, not by medical necessity. The provider also allegedly paid kickbacks for the referral of patients. Preliminary data identified $13,146,362 in potentially fraudulent exposure. Additionally, the investigation uncovered the illegal trafficking and sale of marijuana. In July 2018, we, along with the U.S. Department of Health and Human Services OIG, the Food and Drug Administration Office of Criminal Investigation, and the Federal Bureau of Investigation (FBI) arrested two subjects for the illegal distribution of marijuana across State lines. On September 24, 2018, two subjects pled guilty in the U.S. District Court for the Northern District of Texas with conspiracy to commit money laundering.

- In September 2017, we received a case notification from an FEHBP health insurance carrier regarding an FEHBP enrollee allegedly submitting false claims for services never received from a nonparticipating provider to generate payments to the enrollee. The loss
to the FEHBP was $207,506.40. In August 2018, a complaint filed in the U.S. District Court for the Southern District of New York was issued and charged the enrollee with health care fraud and aggravated identity theft.
II. RETIREMENT ANNUITY FRAUD INVESTIGATIONS

The Office of Investigations uses a variety of approaches to identify potential fraud cases affecting the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS). We coordinate closely with OPM’s Retirement Services office to identify and address program vulnerabilities. We also coordinate with the U.S. Department of the Treasury’s Bureau of the Fiscal Service to obtain payment information. Other referrals come from Federal, State, and local agencies, as well as private citizens. The OPM OIG also works proactively to identify retirement annuity fraud.

The following retirement annuity fraud cases represent some of our activities during this quarter.

Case Summaries:

- We received a notification in January 2018 from the Social Security Administration (SSA) that an annuitant had died on November 2, 2011, but OPM continued to disburse annuity payments after that date. In fact, OPM continued paying monthly annuity payments until April 2018, resulting in an overpayment of $49,023.86. On June 12, 2018, a Federal indictment filed in the U.S. District Court for the District of Maryland charged a subject with theft of Government funds. In July 2018, OPM managed to collect $6,955.49 through the U.S. Department of Treasury (Treasury) reclamation process. On August 14, 2018, the subject pled guilty to one count of theft of Government funds.

- We received a fraud referral in September 2017 from the Retirement Inspections Branch of Retirement Services regarding an annuitant whose April 11, 2000, death was not reported to OPM. OPM continued to deposit the annuity directly through August 2016. The total overpayment was $86,778.16. Through Treasury reclamation actions, $405.84 was recovered, leaving a total balance due of $86,374.32. Our investigation uncovered that the annuitant’s son withdrew money from the account for personal expenses. The son voluntarily provided a written statement indicating he would like to repay the due balance on the annuity. On August 1, 2018, the OPM Office of the Chief Financial Officer confirmed they received a signed Voluntary Repayment Agreement whereby the son will repay a total of $86,374.32 plus interest. The first monthly payment was posted on July 20, 2018.

- Our Investigative Support Operations group reviewed the file of a remarried survivor annuitant that did not have documentation regarding the remarriage and no documentation showing whether the annuitant continued to receive annuity payments after her remarriage. The survivor annuitant had remarried on March 31, 2016, but continued receiving an annuity through August 2017, resulting in an overpayment of $59,112.20. On July 11, 2018, Retirement Services sent a letter requesting repayment of the $44,246.61 in annuity payments received after the remarriage. Additionally, Retirement Services took action on September 6, 2018, to recover the $14,865.59 of health insurance premiums paid after the annuity remarried.

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1 A survivor annuitant who remarries prior to turning age 55 becomes ineligible to continue receiving a survivor annuity unless they were married to the deceased annuitant for 30 years or longer.
• On August 7, 2015, Retirement Services stopped an annuity payment to a survivor annuitant who remarried in June 2013. Our Investigations Support Operations group reviewed the file and found no documentation regarding the remarriage or whether the survivor annuitant received annuity payments after the remarriage. Retirement Services found that the survivor annuitant received annuity payments through July 2015, resulting in an overpayment of annuity and health insurance premiums totaling $41,448.57. On July 11, 2018, Retirement Services sent a letter to the survivor annuitant requesting payment of the overpayment of $5,221.96. On August 23, 2018, Retirement Services posted a recovery of the overpayment, and on September 5, 2018, Retirement Services took action to recover the $36,226.61 in health insurance premiums paid after the annuitant remarried.

• OPM did not receive notification that a retired annuitant died on December 26, 2005. The surviving spouse was eligible to receive a survivor annuity, but she did not submit an application for survivor benefits. Instead, she continued to receive the deceased retiree’s annuity, resulting in $186,389.36 in overpayment. Retirement Services referred the case to us to investigate. When our Investigations Support Operations group requested Retirement Services determine the retroactive annuity due to the survivor annuitant, Retirement Services erroneously determined that the accrued amount was more than enough to pay the debt and that the remaining accrued annuity would be paid to the spouse. When we obtained the retirement file and noted the incorrect calculations, we returned the file to Retirement Services to take corrective action. OPM will send the survivor annuitant a letter requesting repayment of the balance of the debt.

• Our Investigative Support Operations group received a referral from Retirement Services regarding an annuitant who remarried on April 3, 2014, prior to turning age 55 and therefore became ineligible to continue receiving survivor annuity benefits. Annuity payments continued until June 2015, resulting in an overpayment of $9,295. Additionally, the annuitant’s deceased spouse was overpaid $27,455.21 prior to their death and still owed $26,455.12 on this overpayment. Retirement Services set up installments to collect the remaining debt from the survivor annuitant’s annuity and waived the $26,455.12 overpayment to his deceased spouse because the spouse was deceased and the survivor annuitant did not contribute to or cause the overpayment. Retirement Services sent a request on July 27, 2018, for the survivor annuitant to repay the remaining overpayment of $4,990 and stopped annuity payments.

• Our Investigative Support Operations group reviewed the file of a survivor annuitant whose annuity was stopped by Retirement Services because the annuitant remarried and therefore became ineligible to receive further survivor annuity payments. The annuitant had remarried on April 1, 2017, and continued to receive annuity payments through August 2017, resulting in an overpayment of annuity and health insurance premiums totaling $14,463.02. We notified Retirement Services of the potential overpayments, which resulted in Retirement Services sending a letter requesting repayment of the debt of $6,235.80 and taking action to recover the $8,227.40 in health insurance premiums paid after the annuitant remarried.
Our Investigative Support Operations group reviewed the file of a survivor annuitant whose annuity was stopped by Retirement Services because the annuitant remarried and therefore became ineligible to receive further survivor annuity payments. The annuitant had remarried on May 23, 2015. Our review found no documentation regarding the remarriage and no documentation to show whether there were annuity payments made after the remarriage. In total, the survivor annuitant improperly received annuity and health insurance premium overpayments totaling $26,186.10 between May 2015 and May 2016. In September 2018, Retirement Services took action to recover the $14,865.59 in health insurance premiums paid after the survivor annuitant remarried and Retirement Services sent a letter requesting repayment of the $9,177.36 improperly paid survivor annuity.

On June 15, 2015, Retirement Services stopped an annuity payment to a survivor annuitant who remarried in December 2014. We reviewed the annuitant’s file and found no documentation regarding the remarriage and no documentation to show whether the survivor annuitant continued to receive annuity payments after his remarriage. We notified Retirement Services so they could attempt to collect the overpayment of $4,794 that occurred between December 2014 and May 2015. On September 26, 2018, Retirement Services sent a letter to the survivor annuitant requesting repayment of the $4,794 overpayment.

On June 15, 2016, Retirement Services stopped an annuity payment to a survivor annuitant who remarried in March 2016. On March 13, 2018, our Investigative Support Operations group reviewed the survivor annuitant’s file and noted that it did not contain documentation regarding the remarriage or whether the survivor annuitant received annuity payments after the remarriage. We notified Retirement Services. The survivor annuitant remarried on March 3, 2016, but the annuity had continued through June 2016, resulting in an overpayment of $4,128. On September 28, 2018, Retirement Services sent a letter to the survivor annuitant asking them to return the $4,128 in overpayments received after the remarriage.

On November 15, 2017, Retirement Services suspended an annuity when the recipient retiree failed to respond to correspondence from the agency. On March 6, 2018, the OIG located an obituary showing that the annuitant had died on January 27, 2007. We provided this information to Retirement Services, and they initiated reclamation actions through the Treasury to recover the overpayment of the annuity made after the death, which totaled $71,782.48. On June 19, 2018, Retirement Services recovered the entire amount through reclamation.

In September 2016, we received a fraud referral from the Retirement Inspections office of Retirement Services regarding a survivor annuitant whose February 12, 2012, death was not reported to OPM. Retirement Services continued to deposit monthly annuity payments directly into the survivor annuitant’s account through October 2015, resulting in an overpayment of $86,209.01. Through the Treasury reclamation process, OPM recovered $8,778.60, leaving an improper payment balance of $77,430.41. Our
investigation found that the survivor annuitant’s daughter had access to the annuity funds and used them for personal purchases, including signing her deceased mother’s name on checks. On August 23, 2018, the daughter was indicted in the U.S. District Court for the District of Maryland on one count of theft of Government property, one count of identity theft, and one count of aiding and abetting.
III. ADMINISTRATIVE INVESTIGATIONS

In addition to conducting criminal and civil investigations, our office also conducts administrative investigations of OPM employees and contractors for fraud, waste, abuse, or mismanagement at OPM.

The following represents our activities during the reporting period.

**Case Summary:**

There were no reportable activities during this period.
The Office of Investigations investigates allegations of fraud within OPM’s Revolving Fund programs, including the background investigations program and human resources products and services program.

Prior to the establishment of the National Background Investigations Bureau (NBIB) effective October 1, 2016, OPM’s Federal Investigative Services (known as FIS) conducted background investigations on Federal job applicants, employees, military members, and contractor personnel for suitability and security purposes. The violations investigated by our criminal investigators include contract violations, as well as fabrications by OPM background investigators (i.e., the submission of work products purported to represent investigative work that was not in fact performed). We consider such cases to be a serious national security and public trust issue. If a background investigation contains incorrect, incomplete, or fraudulent information, a qualified candidate may be wrongfully denied employment or an unsuitable person may be cleared and allowed access to Federal facilities and/or classified information.

OPM’s Human Resources Solutions (HRS) provides on a reimbursable basis other Federal agencies with human resources products and services to help agencies develop leaders, attract and build a high-quality workforce, and transform into high-performing organizations. For example, HRS operates the Federal Executive Institute, a residential training facility dedicated to developing career leaders for the Federal Government. Cases related to HRS investigated by our criminal investigators include employee misconduct, regulatory violations, and contract irregularities.

The following represents our activities during the reporting period.

Case summary:

- On August 13, 2013, we received a case referral from the NBIB Integrity Assurance (IA) Compliance and Inspections unit regarding allegations that a contract background investigator falsified several reports of investigation (ROIs) in 2013. Between April 2013 and September 9, 2013, the contract background investigator falsified 55 source interviews, resulting in a recovery cost (the cost of reinvestigating the falsifications) of $87,996.19. In June 2017, the contract background investigator was indicted in the U.S. District Court for the District of Columbia for making a false statement. On June 4, 2018, he pled guilty to the charge. On August 20, 2018, the contract background investigator was sentenced to 1 month of incarceration and 24 months of supervised release, including 5 months of home detention, and ordered to pay full restitution in the amount of $77,649.33.

- In September 2016, we received a case referral from NBIB IA alleging that a former contract background investigator falsified ROIs while employed with two contractors. In March 2015, the background investigator was suspended from the OPM contract. NBIB’s recovery efforts found 37 falsifications, resulting in a background investigation recovery labor cost of $189,042. On July 19, 2018, in the U.S. District Court for the
District of Columbia, the contract background investigator pled guilty to making a false statement.
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
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              Room 6400
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