94 Charged In Medicare Scams Worth $251 Million

Kelli Kennedy and Tom Hays, AP

Elderly Russian immigrants lined up to take kickbacks from the backroom of a Brooklyn clinic. Claims flooded in from Miami for HIV treatments that never occurred. One professional patient was named in nearly 4,000 false Medicare claims.

Authorities said busts carried out in Miami, New York City, Detroit, Houston and Baton Rouge were the largest Medicare fraud takedown in history. In all, 94 people — including several doctors and nurses — were charged in scams totaling $251 million. Federal authorities, while touting the operation, cautioned the cases represent only a fraction of the estimated $60 to $90 billion in Medicare fraud absorbed by taxpayers each year.

For the first time, federal officials have the power to overhaul the system under Obama's Affordable Care Act, which gives them authority to stop paying a provider they suspect is fraudulent. Critics have complained the current process did nothing more than rubber-stamp payments to fraudulent providers.

“That world is coming to an end,” Health and Human Services Secretary Kathleen Sebelius told The Associated Press after speaking at a health care fraud prevention summit in Miami. “We've got new ways to go after folks that we've never had before.”

Officials said they chose Miami because it is ground zero for Medicare fraud, generating roughly $3 billion a year. Authorities indicted 33 suspects in the Miami area, accused of charging Medicare for about $140 million in various scams.

Suspects across the country were accused of billing Medicare for unnecessary equipment, physical therapy and other treatments that patients never received. In one $72 million scam at Bay Medical in Brooklyn, clinic owners submitted bogus physical therapy claims for elderly Russian immigrants.

Patients, including undercover agents, were paid $50 to $100 a visit in exchange for using their Medicare numbers and got bonuses for recruiting new patients. Wiretaps captured hundreds of kickback payments doled out in a backroom by a man who did nothing but pay patients all day, authorities said. The so-called kickback room had a Soviet-era propaganda poster on the wall, showing a woman with a finger to her lips and two warnings in Russian: “Don't Gossip” and “Be On The Lookout: In these days, the walls talk.”

With the surveillance, the walls had ears and they had eyes, U.S. Attorney Loretta Lynch said at a news conference in Brooklyn. In a separate Brooklyn case, authorities charged six patients who shopped their Medicare numbers to various clinics. More than 3,744 claims were submitted on behalf of one woman alone, 82-year-old Valentina Mushinskaya, over the past six years.

At a brief appearance in federal court Friday, Mushinskaya was released on $30,000 bond and ordered not to return to the Solstice Wellness Center, scene of an alleged $2.8 million scam. Authorities called Mushinskaya one of the clinic's serial beneficiaries, with phony bills totaling $141,161 paid by Medicare.

Her nephew, Vladimir Olshansky, told reporters his Ukrainian-born aunt suffers from diabetes. “She doesn't know what this is about,” he said.

In Miami, Daniel R. Levinson, inspector general of HHS, which oversees Medicare, said the arrests illustrate how health care fraud schemes can replicate virally and migrate rapidly across communities. Cleaning up Medicare fraud will be key to paying for President Barack Obama's proposed health care overhaul. Federal officials have allocated more money and manpower to fight fraud, setting up strike forces in seven cities with a plan to expand to a dozen more.

So far, the operations are responsible for more than 720 indictments that collectively billed the Medicare program more than $1.6 billion. Around the country, the schemes have morphed from the typical medical equipment scam in which clinic owners billed Medicare dozens of times for the same wheelchair.

Now, officials say, Medicare fraud involves a sophisticated network of doctors, clinic owners, patients and patient recruiters. Violent criminals and mobsters are also tapping into the scams, seeing Medicare fraud as more lucrative than dealing drugs and having less severe criminal penalties, officials said.

For decades, Medicare operated under a system that paid providers first and investigated later. That pay and chase method was a boon for crooks, giving them 90 days lag time to milk the system and flee with millions before authorities were aware a crime had been committed.

Sebelius toured vacant storefronts in Miami on Friday where Medicare fraudsters set up shop, including bogus clinics operated by Cuban immigrants Carlos, Luis and Jose Benitez. The brothers are the agency's most-wanted fugitives, charged with bilking $119 million for costly HIV drugs that patients never received — and buying hotels, helicopters, boats and even a water park with their spoils. They allegedly fled to Cuba, where authorities believe they remain.

A new joint effort by HHS and the Department of Justice enables law enforcement to view Medicare claims in real time and flag suspicious patterns. More stringent screening methods, including more comprehensive background checks, have also been put in place. The agency gets roughly 18,000 applications daily to become a Medicare provider. Now they can put a moratorium on new applications in certain areas, like physical therapy, if they notice a spike in fraudulent activities.

The changes are paying off. Investigators visited 1,600 providers in Miami in the past few months, making sure legitimate businesses were operating at the addresses. In 2008, authorities required all medical equipment providers in Miami to apply for new certification, hoping the paper hurdle would deter scammers. The number of claims dropped by $1.6 billion.

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