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UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA
October 2012 Grand Jury

CR CR13-0052

UNITED STATES OF AMERICA,)
)
Plaintiff,)
)
v.)
)
SUSANNA ARTSRUNI,)
 aka "Mary,")
 aka "Rose," and)
ERASMUS KOTEY,)
)
Defendants.)

CR CR13-0052
I N D I C T M E N T
[18 U.S.C. § 1347: Health Care
Fraud; 18 U.S.C.
§ 1956(a)(1)(B)(i): Money
Laundering; 18 U.S.C. § 2(b):
Causing an Act to Be Done; 18
U.S.C. § 3147: Penalty for
Committing an Offense While on
Pre-Trial Release]

The Grand Jury charges:

COUNTS ONE THROUGH SEVEN

[18 U.S.C. § 1347]

A. INTRODUCTORY ALLEGATIONS

At all times relevant to this Indictment:

The Medicare Program

1. Medicare was a federal health care benefit program,
affecting commerce, that provided benefits to individuals who

1 were over the age of 65 or disabled. Medicare was administered
2 by the Centers for Medicare and Medicaid Services ("CMS"), a
3 federal agency under the United States Department of Health and
4 Human Services ("HHS").

5 2. Individuals who qualified for Medicare benefits were
6 referred to as Medicare "beneficiaries." Each Medicare
7 beneficiary was given a Health Identification Card containing a
8 unique identification number ("HICN").

9 3. Durable medical equipment ("DME") supply companies,
10 physicians, physician assistants ("PA"), and other health care
11 providers that provided medical services that were reimbursed by
12 Medicare were referred to as Medicare "providers."

13 Midvalley Medical Supply

14 4. Midvalley Medical Supply ("Midvalley") was a DME supply
15 company located at 15246 Saticoy Street, Van Nuys, California
16 91405, within the Central District of California.

17 5. Midvalley was a Medicare provider from on or about
18 September 13, 2007, until on or about October 27, 2009.

19 6. Defendant SUSANNA ARTSRUNI, also known as ("aka")
20 "Mary," aka "Rose" ("defendant ARTSRUNI"), was enrolled with
21 Medicare as the owner and managing employee of Midvalley from on
22 or about September 13, 2007, until on or about July 7, 2008.

23 7. Midvalley used Quality Medical Billing to submit its
24 Medicare billing between on or about November 16, 2007, and in or
25 about February 2008.

26 8. Between on or about November 16, 2007, and on or about
27 February 14, 2008, Midvalley submitted claims to Medicare for
28 approximately \$104,363, and Medicare paid Midvalley approximately

1 \$71,046.45 for those claims.

2 The Vermont Medical Clinic

3 9. Between on or about October 1, 2007, and in or about
4 February 2008, defendant ARTSRUNI, using the names "Mary" and
5 "Rose," also worked at a clinic located at 866 North Vermont
6 Avenue, Los Angeles, California 90029, within the Central
7 District of California (the "Vermont Clinic"), as an office
8 manager.

9 10. Between on or about November 1, 2007, and in or about
10 February 2008, defendant ERASMUS KOTEY ("defendant KOTEY") was
11 enrolled with Medicare as a PA and employed by the Vermont
12 Clinic.

13 11. The Vermont Clinic billed defendant KOTEY's services to
14 Medicare under the Medicare provider number belonging to Dr.
15 C.S., a licensed physician who was the medical director for the
16 Vermont Clinic.

17 12. Between on or about October 1, 2007, and in or about
18 February 2008, the Vermont Clinic billed Medicare more than
19 \$428,819 for services allegedly provided to Medicare
20 beneficiaries at the clinic. Medicare paid the Vermont Clinic
21 approximately \$272,930.72 for those claims.

22 Medicare Provider Reimbursement Procedures

23 13. CMS contracted with private insurance companies to
24 certify providers for participation in the Medicare program and
25 monitor their compliance with Medicare standards, to process and
26 pay claims, and to perform program safeguard functions, such as
27 identifying and reviewing suspect claims.

28 14. Noridian Administrative Services ("Noridian") processed

1 and paid Medicare DME claims in Southern California.

2 15. The National Health Insurance Company ("NHIC")
3 processed and paid Medicare claims by physicians in Southern
4 California.

5 16. To obtain payments from Medicare as reimbursement for
6 services provided to Medicare beneficiaries, a provider first had
7 to apply for and obtain a provider number. By signing the
8 provider application, the provider agreed to (a) abide by
9 Medicare rules and regulations and (b) not submit claims for
10 payment to Medicare knowing they were false or fraudulent or with
11 deliberate ignorance or reckless disregard of their truth or
12 falsity.

13 17. If Medicare approved a provider's application, Medicare
14 assigned the provider a Medicare provider number, which enabled
15 the provider to submit claims to Medicare for services rendered
16 to Medicare beneficiaries.

17 18. Most providers, including Midvalley and the providers
18 associated with the Vermont Clinic, submitted their claims
19 electronically pursuant to an agreement with Medicare that they
20 would submit claims that were accurate, complete, and truthful.

21 19. Medicare reimbursed providers only for services that
22 were medically necessary to the treatment of a beneficiary's
23 illness or injury, were prescribed by a beneficiary's physician,
24 and were provided in accordance with Medicare regulations and
25 guidelines that governed whether a particular service would be
26 reimbursed by Medicare.

27 20. Medicare required a claim for Medicare reimbursement of
28 services to set forth, among other things, the beneficiary's

1 name, HICN, and diagnosis; the Current Procedural Terminology
2 ("CPT") code for the service provided to the beneficiary; the
3 date when and location where the service was provided; and the
4 name and physician identification number of the physician who
5 ordered the service.

6 21. DME providers like Midvalley were only entitled to
7 Medicare reimbursement for DME that was medically necessary to
8 the treatment of a beneficiary's illness or injury, was
9 prescribed by a beneficiary's physician, and was provided in
10 accordance with Medicare regulations and guidelines that governed
11 whether a particular item or service would be reimbursed by
12 Medicare.

13 22. Medicare required a claim for Medicare reimbursement of
14 DME to set forth, among other things, the beneficiary's name and
15 HICN, the type of DME provided to the beneficiary, the date the
16 DME was provided, and the name and unique physician
17 identification number of the physician who prescribed or ordered
18 the DME.

19 B. THE SCHEME TO DEFRAUD

20 23. Beginning in or about November 2007, and continuing
21 until in or about February 2008, in Los Angeles County, within
22 the Central District of California, and elsewhere, defendants
23 ARTSRUNI and KOTEY, together with others known and unknown to the
24 Grand Jury, knowingly, willfully, and with intent to defraud,
25 executed, and attempted to execute, a scheme and artifice: (a) to
26 defraud a health care benefit program, namely, Medicare, as to
27 material matters in connection with the delivery of and payment
28 for health care benefits, items, and services; and (b) to obtain

1 money from Medicare by means of material false and fraudulent
2 pretenses and representations and the concealment of material
3 facts in connection with the delivery of and payment for health
4 care benefits, items, and services.

5 24. The fraudulent scheme operated, in substance, in the
6 following manner:

7 a. Co-schemers would recruit and bring Medicare
8 beneficiaries to the Vermont Clinic, often with the promise of
9 free, medically unnecessary DME. Some of these beneficiaries
10 lived hundreds of miles from the Vermont Clinic.

11 b. Once at the Vermont Clinic, the beneficiaries
12 presented their personal information, including their Medicare
13 identification cards and HICNs. Some beneficiaries saw
14 individuals they believed to be doctors (though not their primary
15 care physicians), while others did not see anyone they believed
16 to be a medical professional.

17 c. At defendant ARTSRUNI's direction at the Vermont
18 Clinic, defendant KOTEY prescribed DME and ordered diagnostic
19 tests, including nerve conduction tests and ultrasounds, that
20 were not medically necessary for these Medicare beneficiaries.
21 Defendant KOTEY often did not discuss the need for or nature of
22 these tests with the beneficiaries or follow-up with them
23 regarding the test results.

24 d. As defendants ARTSRUNI and KOTEY knew would happen
25 and intended to happen, the Vermont Clinic submitted claims to
26 Medicare for services ordered and allegedly provided by defendant
27 KOTEY under the Medicare provider number of Dr. C.S., the Vermont
28 Clinic's medical director, even though, as defendants ARTSRUNI

1 and KOTEY well knew, these services were not medically necessary
2 and were sometimes never even provided to the beneficiaries.

3 e. Defendant ARTSRUNI had access to the patient files
4 from the Vermont Clinic and used the patient information obtained
5 from the Medicare beneficiaries, as well as the DME prescriptions
6 written by defendant KOTEY, to submit false and fraudulent claims
7 to Medicare through her DME company, Midvalley. As defendant
8 ARTSRUNI well knew when she submitted, and caused to be
9 submitted, the claims to Medicare, the claims were primarily for
10 motorized wheelchairs and orthotics that were not medically
11 necessary and were sometimes not even provided to the
12 beneficiaries.

13 f. Defendant ARTSRUNI directed that the Medicare
14 payments be deposited into a Midvalley bank account at Washington
15 Mutual Bank (the "Midvalley Bank Account") that she controlled.

16 C. EXECUTIONS OF THE FRAUDULENT SCHEME

17 25. On or about the dates set forth below, within the
18 Central District of California, and elsewhere, defendants
19 ARTSRUNI and KOTEY, together with others known and unknown to the
20 Grand Jury, for the purpose of executing and attempting to
21 execute the scheme to defraud described above, knowingly and
22 willfully submitted and caused to be submitted to Medicare the
23 following false and fraudulent claims:
24

Count	Approx. Date Claim Submitted	Beneficiary and Service	Approx. Amount Claimed	Claim No.
ONE	1/24/2008	D.B. - Back, knee, and elbow orthotics	\$260.00	8024855171000

COUNTS EIGHT AND NINE

[18 U.S.C. §§ 1956(a)(1)(B)(i), 2(b), 3147]

26. The Grand Jury hereby repeats and realleges paragraphs 1 through 22 and 24 of this Indictment as if fully set forth herein.

27. On or about the following dates, in Los Angeles County, within the Central District of California, and elsewhere, defendant ARTSRUNI, together with others known and unknown to the Grand Jury, knowing that the property involved in each of the financial transactions described below represented the proceeds of some form of unlawful activity, conducted and willfully caused others to conduct the following financial transactions affecting interstate commerce, which transactions in fact involved the proceeds of specified unlawful activity, namely, health care fraud, in violation of 18 U.S.C. § 1347, knowing that each of the transactions was designed in whole and in part to conceal and disguise the nature, location, source, ownership, and control of the proceeds of such specified unlawful activity:

Count	Date	Financial Transaction
EIGHT	3/6/2008	Negotiation of check number 172, drawn on the Midvalley Bank Account, in the amount of \$6,500.00, payable to Univision Group, Inc.
NINE	3/6/2008	Negotiation of check number 173, drawn on the Midvalley Bank Account, in the amount of \$7,249.00, payable to Pegas Group, Inc.

PENALTY FOR OFFENSE COMMITTED WHILE ON PRE-TRIAL RELEASE

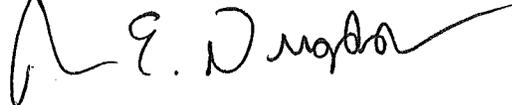
27. It is further alleged that at the time of the offenses charged in Counts Eight and Nine, defendant ARTSRUNI was released

1 under Title 18, United States Code, Chapter 207. Specifically,
2 defendant ARTSRUNI was released pursuant to an order dated
3 February 29, 2008, from the United States District Court for the
4 Central District of California in the criminal case of United
5 States v. Susanna Artsruni, case no. CR 08-209-CAS, which order
6 notified defendant ARTSRUNI of the potential effect of committing
7 an offense while on pretrial release.

8
9 A TRUE BILL

10
11 
Foreperson

12 ANDRÉ BIROTTE JR.
United States Attorney

13 
14
15 ROBERT E. DUGDALE
Assistant United States Attorney
16 Chief, Criminal Division

17 RICHARD R. ROBINSON
Assistant United States Attorney
18 Chief, Major Frauds Section

19 RANEE A. KATZENSTEIN
Assistant United States Attorney
20 Deputy Chief, Major Frauds Section

21 KRISTEN A. WILLIAMS
Assistant United States Attorney
22 Major Frauds Section