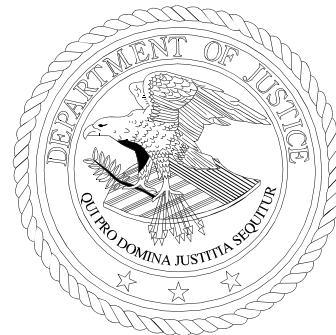


NEWS

United States Department of Justice
U.S. Attorney, District of New Jersey
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Christopher J. Christie, U.S. Attorney

More Information? Call the Assistant U.S. Attorney or other contact listed below to see if more information is available.

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FOR IMMEDIATE RELEASE

Feb. 28, 2008

Two Cardiologists Admit \$840,000 Embezzlement from UMDNJ

(More)

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NEWARK – Two private-practice cardiologists pleaded guilty today to embezzlement,

admitting that between them they took approximately \$840,000 in salary from the University of Medicine and Dentistry of New Jersey while providing no meaningful services in return to the university, other than referring cardiac patients, U.S. Attorney Christopher J. Christie announced.

The criminal Informations to which the doctors pleaded guilty charged that they exploited a program at UMDNJ's University Hospital designed to bring in more cardiac surgery patients. The defendants, while referring patients from their practices to the hospital, were under contract to perform duties at the hospital, including teaching and clinical duties. Both doctors admitted, however, that they provided virtually no services to University Hospital but took considerable compensation nonetheless.

Pleading guilty before U.S. District Judge Stanley R. Chesler were Dr. Bakul Desai, 55, of Livingston, a part-owner of a cardiology and internal medicine practice with offices in Jersey City and Secaucus; and Dr. Laxmipathi Garipalli, 59, of Colts Neck, part-owner of a similar practice in Old Bridge.

Both pleaded guilty to one count each of embezzlement, which carries a maximum statutory penalty of 10 years in prison and a \$250,000 fine. Judge Chesler scheduled sentencing for both defendants for June 5. Both are free on \$1 million bond secured by equity in their homes.

"Our work to clean up the mess we found at UMDNJ over two years ago continues," said Christie. "We will hold the institution and individuals responsible for criminal acts."

The prosecutions of Desai and Garipalli are an outgrowth of the U.S. Attorney's Office investigation of fraud and abuse at UMDNJ. The U.S. Attorney's Office and UMDNJ entered into a Deferred Prosecution Agreement (DPA) in December 2005 after it was found that UMDNJ had committed health care fraud through intentional double-billing of the federal Medicaid reimbursement program, in the amount of approximately \$4.9 million. During the course of the DPA, other fiscal abuses were uncovered by a federal monitor, former federal judge and U.S. Attorney Herbert J. Stern. The DPA ended in December 2007, and due to the satisfactory completion of reforms at the institution, a criminal Complaint charging health care fraud was dismissed at the request of the U.S. Attorney's Office.

The criminal investigation surrounding the cardiology referral program is continuing.

UMDNJ's University Hospital is a state-licensed Level 1 Trauma Center. To maintain funding and accreditation from the state, University Hospital was dependent on the annual performance of a certain number of cardiac procedures, including cardiac catheterizations and cardiothoracic surgery. Beginning in at least 1995, however, University Hospital was failing in this regard.

To remedy the problem, according to the charges, UMDNJ and certain of its administrators undertook a program to bring in more cardio surgery patients through part-time employment contracts with a number of community cardiologists. Those doctors, including Desai and Garipalli, had their own private practices and significant numbers of patients whom they could refer to University Hospital.

The UMDNJ contracts with the community cardiologists required them to work part-time at University Hospital as Clinical Assistant Professors, and to perform bona fide services, such as teaching at UMDNJ's medical school, providing on-call coverage, attending weekly conferences, lecturing, and supporting UMDNJ's research efforts, among other things.

In return for that work, the employment contracts provided that the community cardiologists would receive annual salaries of between approximately \$50,000 and \$180,000. Desai entered into his contract in January 2003, and Garipalli in October 2003.

Both doctors admitted today before Judge Chesler that they performed no meaningful services for UMDNJ. Desai admitted that he nonetheless received more than \$560,000 through November 2006, and Garipalli admitted that he received a total of approximately \$280,000 through May 2006.

In addition to the guilty plea to criminal charges, Garipalli has paid to the government approximately \$560,000, which constitutes double damages, to resolve his civil liability related to the scheme. The government expects to file a civil action against Desai.

Both defendants admitted that they intentionally accepted the payments, provided no bona fide services in return and that they were therefore not entitled to the compensation.

In pleading guilty to Informations, the defendants waived their right to have the case presented to a grand jury for Indictment and instead admitted the charges directly in court.

The cases are being prosecuted by Assistant U.S. Attorneys Robert Kirsch and Maureen Nakly.

Christie credited Special Agents of the U.S. Department of Health and Human Services Office of Inspector General, under the direction of Special Agent in Charge Gary Heuer of the New York Regional Office; Special Agents of the FBI, under the direction of Special Agent in Charge Weysan Dun in Newark; Inspectors with the U.S. Postal Inspection Service, under the direction of Postal Inspector in Charge David L. Collins; and Special Agents of the IRS Criminal Investigations Division, under the direction of Special Agent in Charge William P. Offord, for the investigation leading to today's guilty pleas. Christie also thanked the Social Security Administration Office of Inspector General, under the direction of Special Agent in Charge Edward J. Ryan in New York, for its assistance.

-end-

Defense counsel:

For Desai: Peter Willis, Esq.

For Garipalli: Joseph A. Benedict, Esq.