

Russian Diplomat Medicaid Fraud
Prepared Remarks for U.S. Attorney Preet Bharara
December 5, 2013

Good afternoon. My name is Preet Bharara, and I am the United States Attorney for the Southern District of New York.

Today we announce criminal charges against 49 Russian nationals for engaging in a sophisticated health care fraud scheme that diverted much-needed Medicaid funds from needy families here in New York.

As alleged, over the past nine years, these defendants took advantage of their official government positions in the United States to defraud Medicaid and obtain hundreds of thousands of dollars in healthcare subsidies to which they were not entitled.

Twenty-five of the defendants are or were accredited diplomats – that is, individuals representing the Russian Federation in the United States at the Consulate General in New York, the Russian Mission to the United Nations in New York, and the Trade Representation of the Russian Federation in the USA, New York Office. The remaining 24 defendants are the wives of these Russian diplomats. Eleven of those 49 defendants are still residing in the U.S.

The 62-page complaint unsealed today describes a long-term, targeted fraud perpetrated by Russian diplomats and their spouses who were authorized to reside in the United States for diplomatic purposes only.

Exploiting their positions here in New York, the defendants and others filed scores of fraudulent applications with Medicaid for benefits to cover expenses relating to pre-natal care and child birth.

Now, before getting to the details of the charges and the charged defendants, let me introduce our law enforcement team.

I am joined here by our partners from the FBI: Assistant Director-in-Charge George Venizelos, Special Agent-in-Charge William Priestap, and Assistant Special Agent-in-Charge George Ennis.

I also want to express my appreciation to the career prosecutors who have conducted this investigation Rebecca Ricigliano, Ian McGinley, Shane Stansbury, Brendan McGuire, Chief of the Public Corruption Unit, and Michael Farbiarz, Chief of the Terrorism and International Narcotics Trafficking Unit.

Now let me get to some of the specifics of the allegations.

First, as the complaint explains, Medicaid is a program primarily federally funded by the American taxpayer. It's a program that covers, among other things, the costs associated with the pregnancies, births, and first-year-of-life medical needs of low income individuals.

Although it's largely federally funded, Medicaid is administered by New York State, and the New York City Human Resources Administration is the agency charged with processing Medicaid applications in New York City's five boroughs.

In New York State, pregnant women are afforded prenatal care immediately, pending a full Medicaid determination. To apply, they need to report any income they earn or their spouse earns. If their income level is at or below the Medicaid eligibility level for their reported household size, they are deemed eligible for Medicaid benefits.

As alleged in the complaint, the defendants:

- Applied for Medicaid benefits relating to pregnancy;
- Falsified their Medicaid applications by underreporting their household incomes and, in two instances, falsely claiming their child was a United States citizen;
- Provided official Russian government letters signed by officials at the Consulate General, the Mission, and the Trade Representation, falsely confirming the underreported income;
- Actually received salaries far above the Medicaid eligibility threshold in addition to receiving subsidized housing; and
- Received these benefits to which they were not entitled – they purchased tens of thousands of dollars of luxury goods from stores like Tiffany, Bloomingdale's and Jimmy Choo, and went on expensive cruises and trips to the Caribbean.

And the defendants did all this, by the way, while benefitting from subsidized housing and being exempt from federal taxation.

Here are some examples drawn from the complaint.

The first two defendants listed in the complaint – Mikhail Kuleshov and Anna Kuleshova – failed to report any income at all.

In another case described in the complaint, a former Counselor at the Mission and his wife collected almost \$3,000 in Medicaid benefits by falsely claiming that they made only \$3,200 a

month. In fact, the Counselor was paid over \$58,000 from June 2011 to December 2011 – for an average of approximately \$8,000 a month – or \$5,000 more than reported to Medicaid.

In another case, a former Third Secretary at the Consulate and his wife applied for Medicaid benefits, claiming that the Third Secretary made only \$21,000 a year in income. But the year he applied for Medicaid benefits, the Third Secretary and his wife made over \$42,000 in credit card purchases – double his purported salary.

And other examples abound in the complaint.

Because we have been advised that all of these defendants have diplomatic immunity due to the nature of their work for the Russian government, none of the defendants was arrested today pursuant to these charges. Diplomatic immunity is a form of reciprocal legal immunity that prevents diplomats from being arrested under the host country's laws, unless that immunity is waived by the sending country.

It is, however, the stated policy of the Department of State that it “will request a waiver of immunity in every case in which the prosecutor advises that he or she would prosecute but for immunity.” That is the case here.

And if there is no waiver with respect to a defendant, it is the further stated policy of the Department of State “to require the departure of that individual from the United States.”

Now, one last point as to this investigation: This investigation is ongoing. Any other country that has diplomats engaging in this kind of fraud should now be on notice that it will be exposed and the conduct will be charged criminally. It will not be tolerated.

Diplomacy should be about extending hands, not picking pockets in the host country. Here, as alleged, a multitude of Russian diplomats and their spouses ran a scam on a health care system designed to help Americans in need. As the complaint alleges, the scam exploited a weakness in the Medicaid system, and the charges expose shameful and systemic corruption among Russian diplomats in New York.

We in this Office and the FBI are dedicated to rooting out and punishing corruption and fraud in all of its forms – whether we find it in corporations, pension systems, our own government, or even the embassies of other nations.