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PRESS RELEASE

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**Woman Pleads Guilty in \$5 Million Health Care Fraud
and Tax Evasion Scheme**

Memphis, TN - Terrell L. Harris, U.S. Attorney for the Western District of Tennessee, announced that DIANE MARIE NADOLNI, of Memphis, Tennessee, pled guilty today to two counts of an indictment filed on July 26, 2001. Nadolni pled to one count of health care fraud and one count of tax evasion for the 1996 calendar year. Sentencing is set for July 12, 2002.

According to the indictment, Nadolni had a contract to conduct billing services for Southeast Clinical Management, Inc., utilizing her company Nadolni Billing Service, located in Shelby County. The health care fraud charge that Nadolni pled to states that she submitted claims to CIGNA for Medicare and Medicaid reimbursement in the amount of \$4,972,251.09, representing that the claims were for services provided by or under the supervision of Dr. Jack E. Schaff, Ph.D. It states that she did this knowing full well that Dr. Jack E. Schaff had neither provided nor supervised these providers in rendering services as a licensed clinical psychologist as stated as the basis for the claims. The

indictment also states that Nadolni submitted claims which represented that certain individuals had received psychological services, when these individuals were, in fact, deceased on the date that the said psychological services were represented to have been rendered.

Nadolni also pled to one count of tax evasion for calendar year 1996. According to the indictment, Nadolni stated that her taxable income for 1996 was \$28,579 with a tax due of \$6,078. The indictment states that Nadolni knew that her taxable income for that year was substantially greater than that amount.

Nadolni faces a maximum penalty of 10 years imprisonment, a \$250,000 fine and 3 years supervised release on the health care fraud charge. She faces a maximum penalty on the tax evasion charge of 5 years imprisonment, a \$250,000 fine, and 3 years of supervised release.

This investigation was conducted by IRS-Criminal Investigation, TBI, Office of Inspector General-Department of Health and Human Services, Postal Inspection Service, and FBI. Assistant U.S. Attorney Tim Discenza prosecuted the case for the government.

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