



Department of Justice

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Northern District of Georgia

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ROME COUPLE CHARGED WITH \$30 MILLION MEDICARE & MEDICAID FRAUD THROUGH FAILURE OF CARE AT THREE NURSING HOMES

Defendants Allegedly Bought Real Estate And Luxury Cars While Residents Lacked Basic Necessities

ROME, GA - GEORGE D. HOUSER, 62, and his wife, RHONDA WASHINGTON HOUSER, 46, both of Rome, Georgia, were arraigned today on charges of conspiring to defraud the Medicare and Georgia Medicaid programs of more than \$30 million. GEORGE HOUSER is also charged with failing to pay over his employees' payroll taxes to the IRS and failing to file personal income tax returns.

"These defendants are charged with spending Medicare and Medicaid money to buy cars and real estate while their nursing home residents went without basic necessities, such as food and medicines," said United States Attorney Sally Quillian Yates. "This case demonstrates this office's continuing commitment to fight health care fraud, especially as it affects our most vulnerable citizens, the sick and the elderly. The services that were provided to the nursing home residents in this case were so far below Medicare and Medicaid standards that they were worthless and harmful."

Acting Special Agent in Charge Jeffrey C. Mazanec, FBI Atlanta, said, "For these two individuals to divert Medicare and Medicaid-derived healthcare funds away from vulnerable senior citizens in order to line their own bank account appears to show a level of greed that is very hard to understand. The FBI will continue to do its part to ensure that the federal funds provided through Medicare and Medicaid are utilized in the manner in which they were intended and by those needing its services."

IRS-Criminal Investigation Special Agent in Charge Reginael McDaniel said, "Our system of health care is founded on the trust of the public in its health care providers, especially those who provide care to our senior citizens. The system was not designed for a few rogue individuals who violate that trust by using their health care business as a personal piggy bank."

“Pure greed being placed above the well-being of our most vulnerable citizens will not be tolerated,” said Derrick L. Jackson, Atlanta Region Special Agent in Charge of the Federal Department of Health and Human Services-Office of Inspector General. “We will work closely with our law enforcement partners to bring justice to those who may have failed to provide high quality care to nursing home patients.”

According to United States Attorney Yates, the charges and other information presented in court: GEORGE and RHONDA HOUSER managed two nursing homes in Rome and a third one in Brunswick, Georgia, between 2004 and 2007. The federal Medicare and Georgia Medicaid programs paid the HOUSERS for nearly all of the expenses relating to the care of approximately 300 residents in their three nursing homes. The indictment charges that beginning at least in 2004, and continuing until the State of Georgia closed the nursing homes in 2007, the HOUSERS conspired to defraud the Medicare and Medicaid programs by submitting claims for payments when the care they provided to the nursing home residents were so inadequate that they were worthless, thereby defrauding the programs of the \$30 million that the HOUSERS received from those programs.

The indictment charges several examples of the HOUSERS’ fraudulent claims for payment, including:

- Inadequate staffing: The indictment charges that the HOUSERS failed to maintain a nursing staff that was sufficient to take proper care of the residents, primarily because they started writing bad paychecks to their employees, which resulted in numerous staff resignations. The indictment alleges that the HOUSERS hired a check-cashing service to cash their employees’ paychecks, and in December 2006, GEORGE HOUSER allegedly wrote that service a bad check for \$120,000.

- Failure to pay vendors: The Medicare and Medicaid programs require nursing homes to provide sufficient dietary, pharmaceutical, and environmental service to care for their residents’ needs. The indictment alleges that the HOUSERS failed to provide these services, in part by failing to pay Georgia Power and vendors of pharmacy and clinical laboratory services, medical waste disposal, trash disposal, and nursing supplies. They allegedly failed to repair washing machines and dryers, water heaters, air conditioners, and a leaking roof. The indictment alleges that the nursing homes suffered continual food shortages, and employees – whose own paychecks were bouncing – spent their own money to buy milk, bread, and other groceries, so that residents would have something to eat.

- The diversion of funds: The indictment alleges that instead of providing sufficient care for the nursing home residents, the HOUSERS diverted Medicare and Medicaid funds to their personal use. The indictment alleges that the HOUSERS used the nursing homes’ corporate bank account for personal expenses, such as Mercedes-Benz

automobiles for their personal use. The indictment alleges that from October 2004 until about October 2005, GEORGE HOUSER's former wife was paid more than \$71,000 by the nursing home, even though she was never an employee, and RHONDA HOUSER allegedly received at least \$100,000 in checks or transfers from the nursing homes' accounts for her personal use.

● Real estate purchases: The indictment alleges that the HOUSERS used Medicare and Medicaid funds to purchase real estate in the Rome area, and a \$1.3 million house in Atlanta for GEORGE HOUSER's former wife. Additionally, RHONDA HOUSER was a licensed real estate agent, and she allegedly received substantial commissions from these purchases.

According to the indictment, the Georgia Department of Human Resources (DHR) Office of Regulatory Services (ORS) received numerous complaints about the HOUSERS' nursing home from families, staff, and vendor companies. After giving the nursing homes many opportunities to correct deficiencies, the ORS closed the two nursing homes in Rome in June 2007, and it closed the Brunswick home in September 2007.

The indictment alleges that GEORGE HOUSER deducted federal income taxes from his employees' paychecks, but he failed to pay over at least \$806,305 to the IRS. It also charges that GEORGE HOUSER failed to file personal income tax returns for 2004 and 2005.

The healthcare fraud conspiracy charged against both GEORGE and RHONDA HOUSER in Count One carries a maximum sentence of up to 20 years in prison and a fine of up to \$250,000. The charges that GEORGE HOUSER failed to pay over payroll taxes to the IRS each carry a maximum sentence of up to 5 years in prison and a fine of up to \$10,000 per count. The charges that GEORGE HOUSER failed to file tax returns carries a maximum sentence of one year in prison and a fine of \$25,000. In determining the actual sentence, the Court will consider the United States Sentencing Guidelines, which are not binding but provide appropriate sentencing ranges for most offenders.

Members of the public are reminded that the indictment only contains charges. The defendants are presumed innocent of the charges and it will be the United States' burden to prove their guilt beyond a reasonable doubt at trial.

This case is being investigated by Special Agents of the Federal Bureau of Investigation, the Internal Revenue Service, and the Department of Health and Human Services, and investigators with the United States Department of Justice.

Assistant United States Attorneys Glenn D. Baker, William G. Traynor and Michael J. Brown are prosecuting the case.

For further information please contact Sally Q. Yates, United States Attorney, or Charlyse L. Alexander, Executive Assistant United States Attorney, through Patrick Crosby, Public Affairs Officer, U.S. Attorney's Office, at (404) 581-6016. The Internet address for the HomePage for the U.S. Attorney's Office for the Northern District of Georgia is www.justice.gov/usao/gan.