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FOUR CHARGED WITH HEALTH INSURANCE FRAUD
FOR CLAIMING MULTIPLE PHONY BRAIN SURGERIES

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced that three individuals were arrested yesterday on charges that they fraudulently obtained more than \$300,000 in reimbursements from Group Health Incorporated ("GHI") for twenty brain surgeries that were never performed. One defendant, STANLEY CANNELLA, is still at large. As charged in the Indictment, the defendants repeatedly received reimbursements from GHI based on false claims and fabricated post-operative reports which represented that the defendants and their family members had undergone brain surgery. Indeed, as alleged in the Indictment, some of the fraudulent documents represented that the same individual had undergone the same brain surgery on multiple occasions. According to the Indictment filed in Manhattan federal court:

CHARLES PRITCHETT was employed at a medical billing company as a billing technician, where he had access to post-operative reports and insurance claim forms for procedures

undergone by patients. PRITCHETT, using the billing company's computer system, accessed insurance claim forms for two patients who had actually undergone brain surgery performed by a Manhattan neurosurgeon. PRITCHETT then created bogus insurance claim forms by substituting the identifying information of others -- including STANLEY CANNELLA and DOROTHY L. SMITH -- for that of the actual patients referred to in the original insurance claim forms. The fraudulent claim forms were then submitted to GHI, together with copies of post-operative reports which had been similarly altered, in support of claims for payment for the supposed brain surgeries. As a result, GHI mailed multiple reimbursement checks based on those false claims to CANNELLA, SMITH, and MICHAEL BISCOTTI, who then deposited the checks into their own bank accounts.

For example, from April 2003 through September 2006, STANLEY CANNELLA received reimbursements from GHI for nine brain surgeries supposedly performed on himself, his wife, and their two sons. CANNELLA's family members all received reimbursement for the same supposed brain surgery, and CANNELLA received reimbursement three separate times for the same supposed brain surgery procedure. Neither CANNELLA nor his family members ever underwent brain surgery. As a result, CANNELLA fraudulently obtained reimbursements totaling approximately \$142,268.

Similarly, between June 2003 and May 2006, DOROTHY L. SMITH fraudulently received multiple reimbursements totaling

approximately \$131,397 for nine brain surgeries that were never performed on either SMITH or her family members. SMITH's family members received reimbursement for the same supposed brain surgery, and SMITH herself received reimbursement three separate times for the same supposed procedure.

MICHAEL BISCOTTI fraudulently obtained approximately \$31,041 based on false claims that he and his wife had each undergone the surgery.

The Indictment charges six counts of fraud. Count One charges PRITCHETT and CANNELLA with mail fraud, and Count Four charges them with health care fraud. Count Two charges PRITCHETT and SMITH with mail fraud, and Count Five charges them with health care fraud. Count Three charges PRITCHETT and BISCOTTI with mail fraud, and Count Six charges them with health care fraud. If convicted on the charges, the defendants each face a maximum sentence of 20 years' imprisonment and a maximum fine of \$250,000, or twice the pecuniary loss or gain derived from the offense on each mail fraud count, and a maximum sentence of 10 years' imprisonment and a maximum fine of \$250,000 or twice the pecuniary loss or gain derived from the offense on each health care fraud count. If convicted on all counts, PRITCHETT is facing a maximum sentence of 90 years' imprisonment, and CANNELLA, SMITH, and BISCOTTI are each facing a maximum sentence of 30 years' imprisonment.

Mr. GARCIA praised the investigative efforts of the United States Postal Inspection Service, and thanked GHI for referring the case.

CHARLES PRITCHETT, age 39, resides in Mount Vernon. STANLEY CANNELLA, age 36, and DOROTHY L. SMITH, age 42, both reside in Manhattan. MICHAEL BISCOTTI, age 37, resides on Staten Island.

Assistant United States Attorney WILLIAM STELLMACH is in charge of this prosecution.

The charges in the Indictment are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

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