

JUL 14 2020

PETER A. MOORE, JR., CLERK  
US DISTRICT COURT, EDNC  
BY CKO DEP CLK

UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF NORTH CAROLINA  
WESTERN DIVISION

No. 5:20-CR-340

UNITED STATES OF AMERICA )  
 )  
 v. )  
 )  
 LUIS ANGEL LOZADA )  
 )

CRIMINAL INFORMATION

The United States Attorney charges that:

**Introduction**

1. From a date unknown, but beginning no later than in or about March 2016, and continuing until at least in or about February 2020, both dates being approximate, in the Eastern District of North Carolina and elsewhere, the defendant, LUIS ANGEL LOZADA, conspired with others, known and unknown to the United States Attorney, in a scheme to defraud the North Carolina Medicaid Program of more than \$1 million by submitting false and fraudulent reimbursement claims for non-existent services and submitting claims that misrepresented the services actually provided, if any, in order to earn greater reimbursement than was owed.

**Individuals and Entities**

2. At times relevant to this Information, the defendant, LUIS ANGEL LOZADA (“LOZADA”), resided in the Eastern District of North Carolina.

3. LOZADA owned and operated Cornerstone Family Services Group (“CFSG”), an affiliate of Cornerstone Ministries Group, Inc. CFSG purported to

provide outpatient behavioral health services to Medicaid beneficiaries at various locations in eastern North Carolina, including Zebulon, Clayton, and Wendell.

4. Reginald Van Reese, Jr., and Ruben Samuel Matos resided in the Eastern District of North Carolina at all relevant times. Together, Reese and Matos owned and operated The Dream Center, USA, a purported consulting business in Selma, North Carolina.

5. Humberto Mercado, a/k/a “Ghost,” resided in the Middle District of North Carolina at all relevant times. Mercado was paid to fabricate treatment records for CFSG’s benefit.

#### **The North Carolina Medicaid Program**

6. The North Carolina Medicaid Program is a state-administered program aided by federal funds.

7. Medicaid helps pay for reasonable and medically necessary services for qualifying, enrolled individuals and their families, referred to herein as “beneficiaries.” Covered services include mental and behavioral health services provided on an outpatient basis.

8. The North Carolina Medicaid Program is administered by the North Carolina Department of Health and Human Services, Division of Health Benefits (formerly known as the Division of Medical Assistance), which oversees mental health providers throughout the state who receive payments from Medicaid. The North Carolina Medicaid Program includes both traditional Medicaid and the North Carolina Health Choice for Children insurance program (“NCHC”) (the North

Carolina Medicaid Program, the Division of Health Benefits, and NCHC are collectively referred to herein as “Medicaid”).<sup>1</sup>

9. If qualified, an individual can enroll as a Medicaid beneficiary. At the time of enrollment, a beneficiary receives a unique alphanumeric code issued by the program, known as a Medicaid Identification Number. Each beneficiary can be identified by reference to their Medicaid Identification Number and may use the number to receive covered services.

10. Medicaid beneficiaries receive services from practitioners (“rendering providers”) and companies (“billing providers”). Once a rendering provider or billing provider enrolls with Medicaid, the program issues a unique number to the provider, known as a “provider number.” Rendering and billing providers must also obtain a federal identification number, known as a National Provider Identifier or “NPI” number. All Medicaid providers must certify that they will only bill the government for services that they actually render.

### **Claims Processing**

11. After a rendering provider renders a covered medical service to a Medicaid beneficiary, the billing provider may bill Medicaid for the reasonable and necessary costs of the service. To bill Medicaid, providers generally send an electronic claim to the program. In North Carolina, electronic claims are typically submitted through Medicaid’s online provider portal, referred to as “NCTracks.” Providers may

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<sup>1</sup> NCHC supports families whose household income is too high to qualify for traditional Medicaid benefits and too low to afford private or employer-sponsored health insurance.

also hire third-party billing companies or contractors to perform the task of submitting claims to Medicaid for payment.

12. The claim generally includes, but is not limited to, the date of the alleged service, the Medicaid Identification Number of the beneficiary, the nature of the service rendered, and the provider number or federally-issued NPI number. The electronic claim is generally all that is required to receive payment from Medicaid.

13. While Medicaid may reject a claim if, for example, the provider or beneficiary is not enrolled, Medicaid typically presumes the truth of each claim and generally pays providers for the services that they bill. In other words, Medicaid entrusts its providers to submit claims only for services that they actually perform.

#### **Recordkeeping Requirements**

14. Medicaid providers sign participation agreements that state, in relevant part, that they will maintain and make available “complete and accurate medical records” in accordance with Medicaid regulations, which they must furnish to Medicaid authorities upon request.

15. Medicaid regulations and policies specify what constitutes “complete and accurate medical records” according to the services provided. Outpatient behavioral health providers are required to maintain written clinical assessments, treatment plans, and progress notes for each treatment encounter with a beneficiary. The records must be kept and maintained for a minimum of five years in order to document and substantiate any claims for reimbursement.

16. Medicaid is a “health care benefit program,” as defined in Title 18, United States Code, Section 24(b).

**The Health Care Fraud Conspiracy**

17. Beginning at least as early as March 2016, LOZADA conspired with Reese, Matos, Mercado, and other persons, known and unknown to the United States Attorney, in a scheme to defraud Medicaid by seeking and obtaining payment from Medicaid for claims for outpatient behavioral health services purportedly provided to beneficiaries by CFSG that were false and fraudulent in one or more material respect.

18. Specifically, LOZADA and one or more persons conspired to submit claims to Medicaid for fictitious services that were never provided to or received by the reported beneficiaries.

a. For example, LOZADA, Reese, and Matos exchanged spreadsheets containing misappropriated identifiers for eligible Medicaid beneficiaries, such as Medicaid Identification Numbers, dates of birth, and diagnosis codes indicating purported mental health conditions.

b. The spreadsheets were used to prepare and file false and fraudulent Medicaid claims for services that were never rendered through the NCTracks system. Among other things, the claims were backdated to make it appear as if the services occurred up to 90 days prior to filing—a practice known as “back-billing.”

19. LOZADA and one or more persons also conspired to submit claims to Medicaid that, insofar any services were actually provided to beneficiaries, falsified

the nature of those services and the rendering clinician information in order to earn substantially more in Medicaid reimbursements than was owed—a practice known as “up-coding.” CFSG’s unlawful up-coding practices included, but were not limited to, billing for evaluation-and-management services that were never provided by the reported rendering clinician or from anyone qualified to render such services.

20. It was also a part of the conspiracy that, in an effort to obstruct potential Medicaid inquiries, audits, and investigations, LOZADA and his co-conspirators enlisted Mercado and other “note writers” to create false and fraudulent medical records on an ongoing basis, including clinical assessments, treatment plans, and progress notes. These records were used to backstop CFSG’s fraudulent billing. In at least one instance, LOZADA made such records available to Medicaid authorities in an effort to conceal his criminal activity.

21. LOZADA caused CFSG to file at least \$1.29 million in fraudulent claims with Medicaid.

### COUNT ONE

22. The United States Attorney realleges and incorporates by reference herein all of the foregoing allegations of this Criminal Information and further alleges that beginning no later than in or about March 2016, and continuing until at least in or about February 2020, in the Eastern District of North Carolina and elsewhere, the defendant, LUIS ANGEL LOZADA, did knowingly combine, conspire, confederate, and agree with other persons, known and unknown to the United States Attorney, to

commit an offense against the United States, that is, health care fraud, in violation of Title 18, United States Code, Section 1347.

**Object of the Conspiracy**

23. It was a part and object of the conspiracy that LUIS ANGEL LOZADA and others, known and unknown to the United States Attorney, having devised the above-described scheme and artifice, to defraud and to obtain by means of materially false and fraudulent pretenses, representations, and promises, any of the money owned by and under the custody and control of a health care benefit program, as defined in Title 18, United States Code, Section 24, in connection with the delivery of, and payment for, health care benefits, items, and services, by submitting and causing to be submitted false and fraudulent claims to the North Carolina Medicaid Program, a violation of Title 18, United States Code, Section 1347.

**Manner and Means**

Among the manner and means used to effect and accomplish the purpose of the conspiracy included, but were not limited to, the following:

24. LUIS ANGEL LOZADA and one or more persons carried out the conspiracy through the manner and means described in the foregoing paragraphs of this Criminal Information, among others.

All in violation of Title 18, United States Code, Section 1349.

## FORFEITURE NOTICE

The defendant, LUIS ANGEL LOZADA, is hereby given notice that all of the defendant's interest in all property specified herein is subject to forfeiture.

Upon conviction of the offense alleged in this Criminal Information, the defendant shall forfeit to the United States, pursuant to 18 U.S.C. § 982(a)(7), any property, real or personal, that constitutes or is derived, directly or indirectly, from gross proceeds traceable to the commission of the offense.

The forfeitable property includes, but is not limited to, the gross proceeds traceable to the commission of the offense personally obtained by the defendant in the amount of at least \$618,602.

If any of the property described above, as a result of any act or omission of the defendant:

- (1) cannot be located upon the exercise of due diligence;
- (2) has been transferred or sold to, or deposited with, a third party;
- (3) has been placed beyond the jurisdiction of the court;
- (4) has been substantially diminished in value; or
- (5) has been commingled with other property which cannot be divided without difficulty,

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the United States of America shall be entitled to forfeiture of substitute property pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c).

ROBERT J. HIGDON, JR.  
United States Attorney



ADAM F. HULBIG  
Assistant United States Attorney  
Criminal Division

Date: 7/13/20