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15 IN THE UNITED STATES DISTRICT COURT
16 FOR THE DISTRICT OF ARIZONA

17 United States of America,
18 Plaintiff,
19 vs.
20 Daud Koleosho,
21 Defendant.

No. CR-24-01098-PHX-MTL (ESW)

I N F O R M A T I O N

VIO: 18 U.S.C. § 1349
(Conspiracy to Commit Healthcare
Fraud)

18 U.S.C. § 981(a)(1)(C);
28 U.S.C. § 2461; and
18 U.S.C. § 982(a)(7)
(Forfeiture Allegations)



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25 THE UNITED STATES ATTORNEY'S OFFICE CHARGES:

26 At all times relevant to this Information, within the District of Arizona and
27 elsewhere:
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1 **INTRODUCTION**

2 1. DAUD KOLEOSHO, acting primarily through his company, Community
3 Hope Wellness Center LLC (“CHWC”), falsely and fraudulently billed the Arizona Health
4 Care Cost Containment System (“AHCCCS”) approximately \$57.7 million for behavioral
5 health care services, causing AHCCCS to pay CHWC approximately \$51.6 million.
6 KOLEOSHO primarily targeted AHCCCS’s American Indian Health Program (“AIHP”),
7 among other programs, and billed AHCCCS for services that were never provided and
8 overbilled for services that were provided.

9 **Background on the Arizona Health Care Cost Containment System**

10 2. AHCCCS is Arizona’s Medicaid agency that offers health care programs to
11 Arizona residents. AHCCCS contracts with several health plans to provide covered
12 services and works with medical providers, such as doctors, hospitals, pharmacies,
13 specialists, and counselors, to provide care for AHCCCS members. Covered services
14 include, among other services, behavioral health counseling services, such as counseling
15 and substance abuse treatment.

16 3. AHCCCS administers Medicaid health care programs to Arizona residents.
17 The federal government pays states for the majority of Medicaid program expenditures.
18 Among other programs and plans, AHCCCS provides care through AIHP, through which
19 AHCCCS-enrolled Native Americans may receive health care services, including
20 preventive and behavioral health care services, on a fee-for-service basis.

21 4. All medical providers who serve AHCCCS members are required to be
22 screened and enrolled as an approved provider before AHCCCS pays the provider for
23 medical services provided to its members. For a medical professional to become a provider
24 in the AHCCCS program, the provider must truthfully and accurately complete a provider
25 enrollment paperwork package and submit it to AHCCCS. Officials at AHCCCS review
26 such applications and, if they approve the application, the medical provider is then
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1 permitted to begin providing medical services to AHCCCS members and receive payments
2 from AHCCCS for medical services rendered.

3 5. As part of their AHCCCS application, providers must fill out and sign a
4 provider participation agreement that includes a certification in which they agree to abide
5 by all laws, regulations, and policies governing AHCCCS. DAUD KOLEOSHO filled out
6 and signed the provider participation agreement and certification for CHWC, which was
7 submitted on or about July 18, 2022. CHWC co-owner “Individual 3” signed a separate
8 provider participation agreement for an additional CHWC location on or about January 19,
9 2023.

10 6. After an approved AHCCCS provider provides services to an AHCCCS
11 member, the provider typically submits a claim for payment through an online portal
12 operated by AHCCCS. As part of such a claim submission, AHCCCS requires the provider
13 to disclose the date services were provided, codes that reflect the type of services provided,
14 as well as the total amount of reimbursement sought by the provider.

15 7. AHCCCS typically pays its providers either by check or by electronically
16 transmitting funds to a bank account.

17 8. AHCCCS providers are required to be registered, and CHWC was registered
18 under AHCCCS Provider ID ending in x4384 and National Provider ID ending in x3641,
19 with its additional location registered under AHCCCS Provider ID ending in x2926 and
20 National Provider ID ending in x9367.

21 9. AHCCCS was a “health care benefit program,” as defined in Title 18, United
22 States Code, Section 24(b), and a “Federal health care program” as defined in Title 42,
23 United States Code, Section 1320(a)-7b(f).

24 10. AHCCCS-covered services, including behavioral health services, must be
25 medically necessary, cost effective, federally reimbursable, and state reimbursable.
26 Arizona Administrative Code R9-22-202.

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1 11. Outpatient behavioral health services are behavioral health services provided
2 by an outpatient treatment center (“OTC”). OTC means a health care institution without
3 inpatient beds that provides physical health services or behavioral health services for the
4 diagnosis and treatment of patients. Arizona Administrative Code R9-10-101.

5 12. OTC services include therapy in the form of intensive outpatient services
6 (“IOP”) and outpatient services (“OP”). IOP and OP patients attend facilities on an
7 ongoing basis where treatment is rendered, generally in the form of group and individual
8 therapy sessions. The distinction among the two different treatment plans relates to, among
9 other things, the amount of therapy time on a daily or weekly basis.

10 **The Defendant and Related Individuals and Entities**

11 13. DAUD KOLEOSHO resides in Arizona. During the period of the fraudulent
12 activity, he resided in Arizona. DAUD KOLEOSHO and “Individual 3” owned and
13 operated CHWC and directed the day-to-day operations of CHWC.

14 14. Individual 3 resides in Arizona.

15 15. CHWC, an OTC, was organized in Arizona on or about March 18, 2022, as
16 a domestic LLC providing “Health Care and Social Assistance.” DAUD KOLEOSHO and
17 Individual 3 were listed in the Arizona Corporation Commission documents as managers
18 and organizers of CHWC. The address for CHWC was listed as **** East Pollack Street,
19 Phoenix, Arizona, 85042.

20 16. CHWC applied to the Arizona Department of Health Services for a license
21 as an OTC at its Phoenix address on or about June 9, 2022. DAUD KOLEOSHO was
22 listed as the CHWC Chief Administrative Officer, and Individual 3 was listed as the
23 CHWC Statutory Agent on this application. CHWC was licensed as an OTC effective on
24 June 29, 2022. CHWC subsequently applied for a license as an OTC for a Mesa, Arizona
25 location on October 20, 2022. DAUD KOLEOSHO was listed as the CHWC Chief
26 Administrative Officer and Statutory Agent on this application. CHWC was licensed as
27 an OTC at the Mesa address effective on November 30, 2022.

1 17. Individual 1 was the owner and operator of Company 1.

2 18. Company 1 was organized in Arizona on or about August 5, 2021.
3 According to its website, Company 1 provided credentialing and enrolling, medical coding,
4 and billing services for medical practices. Company 1 provided such services for CHWC
5 during the period of the conspiracy.

6 19. Individual 2, who was a resident of Phoenix, Arizona, owned Company 2.

7 20. Company 2 was organized in Arizona on or about February 3, 2022, as an
8 LLC, and provided housing to addiction treatment patients who purportedly received
9 therapy services from CHWC.

10 **Investigation into Widespread AHCCCS Fraud**

11 21. The AHCCCS Office of Inspector General (“OIG”) began investigating a
12 widespread fraud in which residential and outpatient treatment centers recruited Native
13 Americans and other individuals to exploit the AIHP under AHCCCS. Treatment centers
14 obtained patients from gathering points in the greater Phoenix area such as homeless
15 shelters, encampments, street corners, hospitals, and detox centers. Recruiters also went
16 to Native American reservations in vans and offered substance abuse treatment and free
17 room-and-board in Phoenix. At times, entire families or couples were recruited. Because
18 it was easier to enroll as a provider with AIHP than some other AHCCCS insurance
19 programs, and because AIHP’s reimbursement rates for certain behavioral health services
20 were sometimes higher than those of other programs, these treatment centers preferred
21 patients who were enrolled in AIHP. In some cases, these treatment centers identified
22 potential patients and enrolled the patients in AIHP or had the patients switch their existing
23 AHCCCS insurance plan to AIHP, regardless of whether the patient was Native American.

24 22. By late 2022, AHCCCS OIG identified CHWC as one of the top providers
25 billing AHCCCS, including through AIHP. Its investigation revealed that, among other
26 things:

27 a. CHWC failed to maintain medical records as required by AHCCCS;

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1 under the custody and control of, said health care benefit program, in connection with the
2 delivery of and payment for health care benefits, items, and services, in violation of Title
3 18, United States Code, Section 1347.

4 **Purpose of the Conspiracy**

5 26. It was a purpose of the conspiracy for the Defendant, Individual 1, Individual
6 3, and others, to unjustly enrich themselves by, among other things: (a) submitting and
7 causing the submission of false and fraudulent claims to AHCCCS; (b) concealing the
8 submission of false and fraudulent claims to AHCCCS, and the receipt and transfer of fraud
9 proceeds; and (c) diverting the fraud proceeds for their personal use and benefit, the use
10 and benefit of others, and to further the fraud.

11 **Manner and Means of the Conspiracy and Scheme**

12 27. The manner and means used by the Defendant, Individual 1, Individual 3,
13 and others, individually and through the entities described above, to effect the objects of
14 the conspiracy and scheme to defraud, included the following:

15 a. DAUD KOLEOSHO and Individual 3 established, operated, and
16 controlled CHWC, an OTC, which was purportedly in the business of providing
17 addiction treatment services for persons suffering from alcohol and drug addiction.

18 b. To obtain and retain patients for CHWC whose insurance, including
19 AHCCCS, could be billed for substance abuse treatment services such as IOP and
20 OP, DAUD KOLEOSHO, Individual 3, and their co-conspirators offered and paid
21 kickbacks and bribes in the form of checks and wire transfers to owners of
22 residences, including but not limited to Individual 2, that housed substance abuse
23 treatment patients, in exchange for these residence owners referring patients to
24 CHWC for treatment billed to AHCCCS. Many of the patients recruited for CHWC
25 in this manner were covered under AIHP.

26 c. DAUD KOLEOSHO, Individual 3, and their co-conspirators paid
27 more money to the residence owners, including but not limited to Individual 2, in
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1 exchange for patients with AIHP insurance compared to patients with other plans
2 because the reimbursement from AHCCCS for these patients was generally higher.

3 d. DAUD KOLEOSHO, Individual 1, Individual 3, and their co-
4 conspirators submitted and caused others to submit, via interstate wire
5 communications, false and fraudulent claims to AHCCCS for behavioral health
6 substance abuse treatment therapy services that were not provided, were not
7 provided as billed, were not provided by qualified personnel, were so substandard
8 that they failed to serve a treatment purpose, were not used or integrated into any
9 treatment plan, were medically unnecessary, and/or were tainted by illegal
10 kickbacks and bribes.

11 e. DAUD KOLEOSHO, Individual 1, Individual 3, and their co-
12 conspirators falsified and altered, and caused the falsification and alteration, of
13 CHWC therapy notes reflecting that CHWC's patients attended therapy when they
14 did not and/or reflecting that therapy was provided when it was not.

15 f. After CHWC was suspended by AHCCCS in December 2022, DAUD
16 KOLEOSHO, Individual 1, Individual 3, and their co-conspirators evaded the
17 suspension by submitting claims to AHCCCS under a new National Provider
18 Identifier (NPI) number, and continued to do so until AHCCCS suspended the new
19 NPI number in March 2023.

20 g. DAUD KOLEOSHO, Individual 1, Individual 3, and their co-
21 conspirators submitted and caused the submission, via interstate wire
22 communications, of false and fraudulent claims to AHCCCS in the amount of
23 approximately \$57,737,196.

24 h. As a result of these false and fraudulent claims, AHCCCS made
25 payments to the corporate bank accounts of CHWC in the approximate amount of
26 \$51,666,140.

27 All in violation of 18 U.S.C. § 1349.

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FORFEITURE ALLEGATIONS
**(18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461;
18 U.S.C. § 982(a)(7))**

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3 28. The above allegations contained in this Information are hereby incorporated
4 by reference as if fully set forth herein for the purpose of alleging forfeiture against the
5 defendant, DAUD KOLEOSHO, pursuant to Title 18, United States Code, Sections
6 981(a)(1)(C) and 982(a)(7); and Title 28, United States Code, Section 2461.

7 29. Pursuant to Title 18, United States Code, Sections 981(a)(1)(C) and
8 982(a)(7), together with Title 28, United States Code, Section 2461, as a result of the
9 foregoing violation as charged in Count 1 of this Information, the defendant, DAUD
10 KOLEOSHO, shall forfeit to the United States: any property, real or personal (a) which
11 constitutes or is derived from proceeds traceable to the commission of the offense, and (b)
12 that constitutes or is derived, directly or indirectly, from gross proceeds traceable to the
13 commission of the offense.

14 30. Such property includes, but is not limited to, a forfeiture money judgment, in
15 an amount equal to at least \$25,833,070 in U.S. currency, representing the amount of gross
16 proceeds received by the Defendant as a result of the Defendant's violation as charged in
17 Count 1 of this Information.

18 31. Pursuant to Title 21, United States Code, Section 853(p), as incorporated by
19 Title 18, United States Code, Section 982(b), the Defendant, DAUD KOLEOSHO, shall
20 forfeit substitute property, up to the value of the properties described above or identified in
21 any subsequent forfeiture bills of particular, if, by any act or omission of the defendant, the
22 property cannot be located upon the exercise of due diligence; has been transferred or sold
23 to, or deposited with, a third party; has been placed beyond the jurisdiction of the Court;

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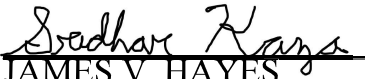
1 has been substantially diminished in value; or has been commingled with other property
2 that cannot be subdivided without difficulty.

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4 GARY M. RESTAINO
5 United States Attorney
6 District of Arizona

6  Digitally signed by MATTHEW WILLIAMS
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