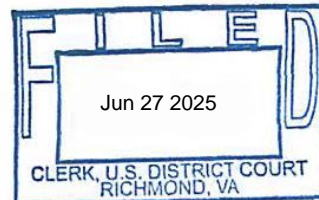


IN THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF VIRGINIA
Richmond Division



UNITED STATES OF AMERICA,)
)
v.)
)
LORI ADCOCK,)
)
Defendant.)

Criminal No. 3:25-mj- 73

AFFIDAVIT IN SUPPORT OF CRIMINAL COMPLAINT

I, Collette J. Canady, being duly sworn state the following:

1. I am a Special Agent of the United States Department of Health and Human Services – Office of Inspector General (DHHS OIG), and, as such, I am charged with enforcing federal laws in jurisdictions of the United States. I have been employed as an DHHS-OIG Special Agent since 2021 and am currently assigned to the Richmond, Virginia field office. As a DHHS-OIG Special Agent, I specialize in the investigation of white-collar crimes and frauds that affect U.S. Department of Health and Human Services programs, mainly Medicare and Medicaid. As a DHHS-OIG Special Agent, I am authorized to investigate violations of federal law and submit this Affidavit. I have led and/or participated in numerous investigations involving complex schemes to defraud our nation's healthcare benefits programs.

2. Prior to my position with HHS, I was employed at the Office of the Attorney General in the Medicaid Fraud Control Unit (MFCU), where I specialized in the investigation of Medicaid fraud that affected the Commonwealth of Virginia. As an investigator with MFCU, I attended several training courses tailored to Medicaid fraud investigations.

3. I also worked for the Newport News Police Department for approximately eight

years, completing the Basic Law Enforcement Academy in Newport News, Virginia in 2010. For five of those eight years I was a detective, investigating a wide variety of criminal cases, to include fraud.

4. Over the course of my career, I have participated in numerous investigations that have included physical and mobile surveillance, execution of search and arrest warrants, evidence handling, control and administration of confidential sources, and the arrest and subsequent prosecution of numerous offenders in a vast variety of crimes, to include fraud and health care fraud. I have also spoken on numerous occasions with informants, suspects, and other individuals who participated in and/or knew about these crimes.

5. Based on my over fifteen years of training and experience working in a law enforcement capacity, I am familiar with different schemes used to defraud the United States Government and the types of documents and records that typically serve as evidence of such crimes. I am also familiar with various means and methods that individuals committing fraud use to facilitate their schemes.

6. This affidavit is intended to show merely that there is sufficient probable cause for the requested warrant and does not set forth all my knowledge about this matter.

7. The facts and information contained in this affidavit are based on my personal knowledge and observations, information conveyed to me by other law enforcement officials, and my review of records, documents, and other physical evidence obtained during this investigation. This affidavit contains information necessary to support probable cause but is not intended to include each fact and matter observed by me or known to the government.

8. This affidavit is in support of a criminal complaint charging Lori ADCOCK with 18 U.S.C. § 1349, Conspiracy to Commit Healthcare Fraud. As part of ADCOCK's participation

in this conspiracy, which ran from at least June 2019 through October 2020, ADCOCK served as Operations Manager of Ability Unlimited.

9. Medicaid is a federally funded program that provides health care services to the poor and indigent. Medicaid was established by Title 19, Social Security Act of 1965, to provide medical assistance to indigent persons. The United States Department of Health and Human Services and the Commonwealth of Virginia, Department of Medical Assistance Services (DMAS), administer and supervise the administration of the Medicaid program in Virginia, which is called the Virginia Medical Assistance Program (Medicaid).

10. The United States contributes approximately 50% of the cost to the Medicaid program.

11. Medicaid is a “health care benefit program” as defined in 18 U.S.C. § 24(b).

12. Medicaid waiver programs allow Medicaid recipients to remain at home while receiving home and community-based care if they would otherwise need care in a nursing facility or other specialized care medical facility. Two of those waiver programs are the Commonwealth Coordinated Care Plus waiver program and the Developmental Disabilities waiver program.

13. Under these waiver programs, Medicaid covers environmental modifications (EMs) that alter or modify a Medicaid recipient’s home (or vehicle in limited circumstances) to make the residence suitable for the recipients, such as installing a grab bar in a shower or adding an exterior wheelchair ramp to access the home. The purpose of EMs is to modify the home to increase access for the recipient, but not to make or serve as general improvements to the home. EMs are for pre-existing structures.

14. EMs are available for a maximum Medicaid-funded amount of \$5,000 per household per state fiscal year, from July 1 to June 30. Costs for EMs cannot be carried over from

one fiscal year to the next.

15. Medicaid only reimburses EM claims for the actual cost of material and labor, with no additional markup (to include markups for administrative fees). Shipping, freight, and delivery are not reimbursable expenses. Medicaid requires that EMs be performed in the most cost-effective manner possible to achieve the goal required for the recipient's health, safety, and welfare. All services must be provided in the recipient's primary residence, and must be installed per applicable state or local building codes and appropriate permits or building inspections.

16. EM providers must submit their cost estimate for labor and materials to Medicaid's contractor. Supporting documentation must demonstrate the medical need for the service, the process to obtain the service (contacts with potential contractors, costs, etc.), and the timeframe during which the service is to be provided. The required supporting documentation must include a separate written notation of the evaluation, design, labor, and supplies or materials.

17. The EM provider is responsible for ensuring that all work is completed, and products have been delivered, installed, and in good working order prior to seeking reimbursement from Medicaid. The EM provider must ensure and certify that the modifications were completed satisfactorily, and the recipient is able to use them.

18. All requests for cost changes (either increases or decreases) must be submitted to Medicaid's contractor for revision, and the requests must include justification for the proposed cost change and supporting documentation of the medical needs necessitating the change.

The Defendant and Other Individuals

19. At all times relevant to this Complaint, Co-Conspirator 1 was the owner of Ability Unlimited, a Medicaid contractor based in the Eastern District of Virginia that specialized in EMs. Co-Conspirator 1 also owned Company A, a separate Medicaid service facilitation contractor.

20. In or about January 2017, Ability Unlimited (AU) was enrolled as a Medicaid provider in Virginia. Despite AU being a separate legal entity, AU and Company A shared the same owner, and exhibited significant overlap by sharing staff, software, and other resources.

21. ADCOCK was an employee of Co-Conspirator 1 at Company A, and later became the Operations Manager for AU. As Operations Manager, ADCOCK oversaw several AU employees, while also overseeing environmental modification work orders for AU. ADCOCK reviewed and approved all authorizations prior to sending them to insurance companies for approval. ADCOCK also added AU fees to the authorizations for administrative tasks.

22. The conspiracy period began at least in or about June 2019 through in or about October 2020 when ADCOCK was dismissed from AU.

23. It was the purpose of the scheme and artifice to defraud for defendant and defendant's co-conspirators to unlawfully enrich themselves through the submission of false and fraudulent Medicaid claims for environmental modifications that the conspirators fraudulently marked up to include often-exorbitant costs that were not allowed under the Medicaid regulations.

Manner and Means of the Conspiracy

24. In or about January 5, 2017, Co-Conspirator 1 hired ADCOCK through Company A to help establish a new company called Ability Unlimited that focused on providing environmental modifications. ADCOCK was the Operations Manager of Ability Unlimited, and Co-Conspirator 1 tasked ADCOCK with examining the Medicaid regulations to determine the feasibility of the business model of Ability Unlimited and to help establish the business's operations pursuant to Medicaid regulations.

25. Prior to January 2019, AU, primarily through ADCOCK, had engaged with Medicaid and its contractors to determine if AU's business model of hiring contractors to perform

EMs and adding a profit margin for AU was allowable under Medicaid rules and regulations. Medicaid and its contractors informed ADCOCK at least by January 2019 that the program was designed for contractors to work directly with recipients and that Medicaid's EM program did not authorize a broker or facilitator (like AU's suggested model) to subcontract the EM work to a contractor and charge Medicaid an additional profit margin as a broker. The chief executive officer of Company A submitted a public comment via email to Medicaid in March 2019 requesting that Medicaid change its rules and regulations to allow a broker like AU to charge Medicaid for additional profits, copying Co-Conspirator 1 on the email, and ADCOCK was aware of these efforts. ADCOCK and AU thus knew at least by June 2019 that AU could not charge a profit margin to Medicaid for acting as a broker for EM services.

26. Between January 2019 and May 2019, AU charged Medicaid, at ADCOCK's suggestion and Co-Conspirator 1's direction, a \$500 profit margin per submitted claim that was intended to approximate the administrative cost AU incurred by hiring subcontractors, completing the paperwork, and submitting the claim. This \$500 profit margin practice is not part of the conspiracy period.

27. Beginning in or about May 2019, Co-Conspirator 1 and ADCOCK devised a plan to falsely bill arbitrary and exorbitant profit margins for EM services by hiding AU's profit margin—which Co-Conspirator 1 and ADCOCK knew and understood was not an expense they were entitled to reimburse—in the subcontractor costs they submitted to Medicaid for reimbursement.

28. In or around May 2019, Co-Conspirator 1 issued a new directive to AU employees that each EM project should include at least a 30 to 50+ percent profit margin, depending on the amount of the subcontractor's invoice. If the subcontractor's invoice amount was for example

\$3,846.15, Co-Conspirator 1 directed that AU mark up the invoice near or up to the \$5,000 annual cap (thus making a 30% profit margin). If the subcontractor invoice totaled less than \$3,846.15, then AU could increase its markup up to the \$5,000 cap and make additional profits. ADCOCK disseminated and implemented Co-Conspirator 1's new directive to employees at AU.

29. In or around May 2019, Co-Conspirator 1 questioned AU employees as to why AU was not maximizing the \$5,000 annual cap on EMs by saying words to the effect of, *The Medicaid recipients have \$5,000, why can't we use more?*

30. In May 2019, Co-Conspirator 1 and ADCOCK instructed AU employees to email AU's subcontractors and inform them that AU's minimum profit margin was \$1500 per EM project, and that subcontractors had to lower their bids for AU projects to accommodate AU's desired profit margin.

31. At Co-Conspirator 1's direction, ADCOCK and others fraudulently edited the invoices the subcontractors supplied to AU and drastically increased the costs associated with other line items in the subcontractors' invoices to conceal from Medicaid that AU was adding a profit margin to its invoices and claims, and to provide for outsized profit margins for AU. In truth and fact, as ADCOCK well knew, AU was not allowed to add profit costs or hidden fees to its invoices or claims to Medicaid.

32. At Co-Conspirator 1's direction, ADCOCK then submitted these false and fraudulent invoices, along with the associated false reimbursement claims, to Medicaid for payment. Medicaid then processed these false claims and paid AU those falsely inflated amounts because of the false and fraudulent invoices.

33. Medicaid denied AU claims in relevant part if the AU claims included a line item for profit margin, but erroneously paid the claims supported by the altered invoices that hid AU's

profit margin. Per Medicaid's policy, had Medicaid known that AU was submitting EM claims supported by invoices AU altered to hide AU's non-reimbursable fees, Medicaid would not have paid AU's claims.

34. In June 2019, ADCOCK disciplined a subordinate employee (and informed Co-Conspirator 1) because the employee had allowed a subcontractor to purchase mobility ramps and ship them directly to the recipient, which was the cheaper option. ADCOCK told Co-Conspirator 1 that AU would have made more money if AU had itself purchased the ramps, added its profit margin, and shipped the ramps directly to the recipient. In essence, ADCOCK disciplined an employee for following Medicaid rules and saving the recipient (and thus, Medicaid) money at AU's expense. In disciplining the employee, ADCOCK stated that "AU's profit IS the heart of what makes or breaks this company."

35. In January 2020, Co-Conspirator 1 instructed AU employees that the minimum AU profit going forward was \$1,210, and the maximum profit was double the subcontractor's cost, unless the subcontractor's quote was, for example, \$4,500 and could not be lowered, at which point Co-Conspirator 1 conceded that AU would "tak[e] a loss" and submit the claim by accepting a profit margin of less than \$1,210.

36. In July 2020, ADCOCK emailed Co-Conspirator 1 and reported that an EM claim had been denied where AU attempted to upcharge a claim involving five hours of installation performed by the subcontractor by claiming sixteen hours of "quality control to verify the integrity of the installation." AU had charged or inflated the "quality control" hours to hide AU's profit margin. The claim denial informed AU that "no other EM vendor quotes costs related to customer service, ordering, overhead, documentation, etc.," and "you will also need to justify a markup on goods and direct labor of almost 100% of the costs you are incurring from suppliers and

contractors.” This claim denial further put Co-Conspirator 1 and ADCOCK on notice that their practices were inconsistent with Medicaid rules and regulations.

37. For some EM requests, AU’s demanded profit margin was so high that AU forced recipients to split EM requests across two fiscal years even if AU could complete both requests if not for the addition of AU’s inflated profit margins to the reimbursement claim. Due to AU’s actions, the recipients were deprived of timely mobility modifications, and instead were required to do without those improvements until the next fiscal year, solely because Co-Conspirator 1 and ADCOCK wanted to maximize AU’s impermissible profit margins.

38. In one instance, AU installed a wheelchair ramp that was not compliant with the Americans with Disabilities Act because the ramp was far too steep and thus unsafe. The parents of the minor Medicaid recipient (who was confined to his wheelchair and dependent on oxygen) were forced to remove the minor’s oxygen pack from the back of his wheelchair so that they were physically able to push him up the steep ramp, and the minor rolled down the ramp in his wheelchair at a dangerous speed. After installation, the minor’s parents immediately noticed the dangerously steep slope and contacted AU. AU refused to correct the slope until the next fiscal year because only then would a new allotment of EM money be available for which AU could charge. AU added excessive and hidden profit margins to both the original non-compliant ramp and the replacement compliant ramp installed the next year.

39. In other instances, AU’s profit margins were so high that AU forced Medicaid recipients—who are, by the very nature of the Medicaid program, indigent—to pay out of pocket for EM projects that exceeded the \$5,000 annual cap. In one instance, a recipient was forced to pay an extra \$1,210 out of pocket to cover AU’s profit margin.

40. In addition, AU regularly ordered off-the-shelf items such as generators and

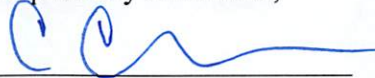
subsequently and fraudulently charged Medicaid both an inflated amount for the generator and for AU's purported "labor" costs, even though AU had directed the generator to be shipped directly to the recipient's home. For example, in one instance ADCOCK ordered from Amazon.com a generator and accessories for the generator, costing a total of \$992.51. Amazon shipped the generator and accessories directly to the recipient's home. AU billed Medicaid \$3,395.16, listing the generator cost as \$2,610.16, and including an additional "labor line" of \$785. Thus, AU through ADCOCK falsely inflated the generator cost by \$1,617.65 and falsely included a \$785 labor charge when in truth and fact, AU had performed no "labor" for the recipient beyond the simple act of completing an online purchase.

41. In another instance, ADCOCK ordered a generator from Amazon.com that cost \$841.35. Amazon shipped the generator directly to the recipient's home. Medicaid paid AU \$3,395.16 for this claim, when Medicaid should only have paid for the cost of the generator.

42. In October 2020, ADCOCK left AU. Between in or about June 2019 and in or about October 2020, Ability Unlimited submitted at least \$213,210.69 in environmental modification-related claims for reimbursement from Virginia Medicaid to which they were not entitled.

43. Based on the facts and information set forth above, I respectfully submit that there is probable cause to believe that ADCOCK has committed the federal offense of Conspiracy to Commit Health Care Fraud, in violation of 18 U.S.C. § 1349.

Respectfully Submitted,



Collette J. Canady
Special Agent
OIG-HHS

Reviewed and Approved by AUSA Shea Gibbons

Subscribed and sworn to before me, June 27th, 2025, at Richmond, Virginia.

Is! MRC

Hon. Mark R. Colombell
United States Magistrate Judge