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UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

UNITED STATES OF AMERICA,

Plaintiff,

v.

LAUREN PAPA,

Defendant.

SA CR No. 18- 00125 JLS

I N F O R M A T I O N

[18 U.S.C. § 371: Conspiracy;
18 U.S.C. § 981(a)(1)(C) and 28
U.S.C. § 2461(c): Criminal
Forfeiture]

The United States Attorney charges:

A. INTRODUCTORY ALLEGATIONS

At all times relevant to this Information:

1. Healthsmart Pacific Inc., doing business as Pacific Hospital of Long Beach ("Pacific Hospital"), was a hospital located in Long Beach, California, specializing in surgeries, particularly spinal and orthopedic surgeries. From at least in or around 1997 to October 2013, Pacific Hospital was owned and/or operated by Michael D. Drobot ("Drobot"). Along with Drobot, unindicted co-conspirator A ("UCC-A") owned and/or operated Pacific Hospital from in or around 2005 to in or around October 2010. James Canedo ("Canedo") was the Chief Financial Officer of Pacific Hospital. UCC-B was the General Counsel and Chief Compliance Officer of Pacific Hospital. UCC-C was

1 an executive and attorney who oversaw personal injury cases at
2 Pacific Hospital and also tracked referrals from multiple marketers
3 for Pacific Hospital.

4 2. UCC-D was a neurosurgeon practicing out of various medical
5 clinics located in the Central District of California, including in
6 Sherman Oaks, Garden Grove, Torrance, and Beverly Hills, California.

7 3. Defendant LAUREN PAPA ("defendant PAPA") was a chiropractor
8 with a medical clinic located at 4955 Van Nuys Boulevard, Suite 407,
9 in Sherman Oaks, California, who referred patients requiring spinal
10 surgery to UCC-D and others.

11 4. Pacific Specialty Physician Management, Inc. ("PSPM") was a
12 corporation, owned and/or controlled by Drobot and others and
13 headquartered in Newport Beach, California, that provided management
14 services for physicians' offices and entered into various contractual
15 arrangements with physicians, chiropractors, and others to steer
16 business to Pacific Hospital. UCC-E was a PSPM executive and
17 administrator who facilitated PSPM's relationships with physicians.
18 UCC-F was the Chief Financial Officer at PSPM from approximately mid-
19 2008 to late-2013.

20 5. Linda Martin ("Martin") was a former PSPM executive, who,
21 in or about September 2010, returned as a PSPM "marketer" to
22 facilitate kickback arrangements between Pacific Hospital and
23 Affiliated Entities, on the one hand, and kickback recipients, on the
24 other hand.

25 California Workers' Compensation System ("CWCS")

26 6. The California Workers' Compensation System ("CWCS") was a
27 system created by California law to provide insurance covering
28 treatment of injury or illness suffered by individuals in the course

1 of their employment. Under the CWCS, employers were required to
2 purchase workers' compensation insurance policies from insurance
3 carriers to cover their employees. When an employee suffered a
4 covered injury or illness and received medical services, the medical
5 service provider submitted a claim for payment to the relevant
6 insurance carrier, which then paid the claim. Claims were submitted
7 to and paid by insurance carriers either by mail or electronically.
8 The CWCS was governed by various California laws and regulations.

9 7. The California State Compensation Insurance Fund ("SCIF")
10 was a non-profit insurance carrier, created by the California
11 Legislature, that provided workers' compensation insurance to
12 employees in California, including serving as the "insurer of last
13 resort" under the CWCS system for employers without any other
14 coverage.

15 Health Care Programs

16 8. SCIF and other workers' compensation insurance carriers,
17 personal injury insurers, and other public and private plans and
18 contracts, were "health care benefit programs" (as defined in 18
19 U.S.C. § 24(b)), that affected commerce.

20 Relevant California Laws Pertaining to Bribery and Kickbacks

21 9. California law, including but not limited to the California
22 Business and Professions Code, the California Insurance Code, and the
23 California Labor Code, prohibited the offering, delivering,
24 soliciting, or receiving of anything of value in return for referring
25 a patient for medical services.

26 10. California Business & Professions Code Section 650
27 prohibited the offer, delivery, receipt, or acceptance by certain
28 licensees -- specifically including physicians -- of any commission

1 or other consideration, whether in the form of money or otherwise, as
2 compensation or inducement for referring patients, clients, or
3 customers to any person.

4 11. California Insurance Code Section 750(a) prohibited anyone
5 who engaged in the practice of processing, presenting, or negotiating
6 claims -- including claims under policies of insurance -- from
7 offering, delivering, receiving, or accepting any commission or other
8 consideration, whether in the form of money or otherwise, as
9 compensation or inducement to any person for the referral or
10 procurement of clients, cases, patients, or customers.

11 Fiduciary Duties and the Physician-Patient Relationship

12 12. A "fiduciary" obligation generally existed whenever one
13 person -- a client -- placed special trust and confidence in another
14 -- the fiduciary -- in reliance that the fiduciary would exercise his
15 or her discretion and expertise with the utmost honesty and
16 forthrightness in the interests of the client, such that the client
17 could relax the care and vigilance she or he would ordinarily
18 exercise, and the fiduciary knowingly accepted that special trust and
19 confidence and thereafter undertook to act on behalf of the client
20 based on such reliance.

21 13. Physicians owed a fiduciary duty to their patients,
22 requiring physicians to act in the best interest of their patients,
23 and not for their own professional, pecuniary, or personal gain.
24 Physicians owed a duty of honest services to their patients for
25 decisions made relating to the medical care of those patients,
26 including the informed choice of whether to undergo surgery and other
27 medical procedures, as well as the selection of a provider and
28 facility for such surgeries and procedures. Patients' right to

1 honest services from physicians included the right not to have
2 physician-fiduciaries solicit or accept bribes and kickbacks
3 connected to the medical care of such patients, specifically
4 including decisions concerning patient-related referrals in
5 connection with spinal surgeries, other types of surgeries, magnetic
6 resonance imaging ("MRI"), toxicology, durable medical equipment, and
7 other services (the "Kickback Tainted Surgeries and Services").

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COUNT ONE

[18 U.S.C. § 371]

14. Paragraphs 1 through 13 of this Information, including all subparagraphs, are re-alleged and incorporated by reference as if fully set forth herein.

A. OBJECTS OF THE CONSPIRACY

15. Beginning on an unknown date, but no later than in or about May 2011, and continuing through at least in or about 2013, in Orange and Los Angeles Counties, within the Central District of California, and elsewhere, defendant PAPA, UCC-D, Drobot, UCC-F, and others known and unknown to the Grand Jury, knowingly combined, conspired, and agreed to commit the following offenses against the United States:

a. Honest services mail fraud, in violation of Title 18, United States Code, Sections 1341 and 1346;

b. Honest services wire fraud, in violation of Title 18, United States Code, Sections 1343 and 1346; and

c. Use of an interstate facility in aid of bribery, in violation of Title 18, United States Code, Section 1952(a)(3).

B. MANNER AND MEANS OF THE CONSPIRACY

16. The objects of the conspiracy were to be carried out, and were carried out, in the following ways, among others:

a. UCC-D and defendant PAPA would solicit and receive bribe and kickback payments from hospital executives to induce the referral of Kickback Tainted Surgeries and Services to kickback paying hospitals.

b. Defendant PAPA would refer patients requiring spinal surgery consults to UCC-D, who, starting on an unknown date, but no later than April 2009, would examine these patients at defendant

1 PAPA's Sherman Oaks clinic approximately one day a week or every
2 other week.

3 c. UCC-D would make only a handful of rent payments to
4 defendant PAPA for his weekly or bi-weekly use of defendant PAPA's
5 Sherman Oaks clinic, including a \$3,000 rent payment in July 2010.

6 d. To avoid paying rent to defendant PAPA, UCC-D would
7 solicit Pacific Hospital, through Drobot, UCC-B, and other co-
8 conspirators (the "Kickback Paying Hospital Executives") to "cover
9 the rent" for UCC-D.

10 e. Defendant PAPA would solicit and receive additional
11 remuneration, beyond any fair market rent payment, from the Kickback
12 Paying Hospital Executives to induce her referral of patients
13 requiring spinal surgery to UCC-D, who would be expected to perform
14 such surgeries at Pacific Hospital based on a bogus option agreement
15 that provided for the purported "purchase [of] assets, including
16 stock and goodwill" of UCC-D's medical practice, purportedly located
17 at, what was, in fact, Papa's Sherman Oaks clinic. UCC-D's bogus
18 option agreement further provided for fixed monthly option payments
19 of \$50,000 per month, when, in reality, the option payments varied
20 from month-to-month and were calculated based on the number of spinal
21 surgeries UCC-D performed at Pacific Hospital.

22 f. Defendant PAPA's remuneration would be similarly
23 disguised under a bogus "Consulting and Business Development
24 Agreement," entered into in or about May 2011, purportedly for, among
25 other services, advising on "the creation and use of appropriate
26 marketing materials," "the creation of brochures," and
27 "advertisements in defense association publications." As part of
28 defendant PAPA's kickback and bribe arrangement with the Kickback

1 Paying Hospital Executives, starting in approximately June 2011,
2 defendant PAPA would receive monthly payments of approximately
3 \$10,000 from PSPM.

4 g. Based on these monthly payments, defendant PAPA would
5 not collect, and UCC-D would not pay, any rent in connection with
6 UCC-D's weekly or bi-weekly use of defendant PAPA's Sherman Oaks
7 clinic.

8 h. Influenced by the promise of kickbacks, defendant PAPA
9 and UCC-D would cause patients insured by various health care benefit
10 programs to have Kickback Tainted Surgeries and Services at Pacific
11 Hospital.

12 i. Pacific Hospital, defendant PAPA, and UCC-D would
13 submit claims, or cause claims to be submitted, by mail and
14 electronically, to health care benefit programs for payments related
15 to Kickback Tainted Surgeries and Services.

16 j. As Drobot, defendant PAPA, UCC-D, and others knew and
17 intended, and as was reasonably foreseeable to them, in using the
18 mails, wire communications, and facilities in interstate commerce to:
19 (i) communicate about patient referrals and underlying kickback
20 arrangements, (ii) submit claims to health care benefit programs for
21 the Kickback Tainted Surgeries and Services, and (iii) obtain payment
22 for the Kickback Tainted Surgeries and Services, Drobot, defendant
23 PAPA, UCC-D, and others would solicit, offer, receive, or pay, and/or
24 cause the solicitation, offering, receipt, and payment of kickbacks
25 and bribes that were material to patients and health care benefit
26 programs.

27 k. In soliciting and receiving concealed kickbacks and
28 bribes to induce the referral of patients to Pacific Hospital,

1 defendant PAPA and UCC-D would deprive patients of their right to
2 honest services.

3 l. Using the mails and other facilities in interstate
4 commerce, Drobot, defendant PAPA, UCC-D, and others would communicate
5 about and pay, and cause the payment of, kickbacks and bribes to
6 defendant PAPA and UCC-D, who referred and caused the referral of
7 Kickback Tainted Surgeries and Services to Pacific Hospital.

8 m. Health care benefit programs would pay Pacific
9 Hospital, defendant PAPA, and UCC-D for the Kickback Tainted
10 Surgeries and Services by mail and electronically.

11 n. Drobot and his co-conspirators would maintain, review,
12 and/or communicate about records of the number of Kickback Tainted
13 Surgeries and Services performed at Pacific Hospital due to referrals
14 from defendant PAPA and UCC-D.

15 C. EFFECTS OF THE CONSPIRACY

16 17. Had health care benefit programs and patients known the
17 true facts regarding the payment of kickbacks for the referral of
18 Kickback Tainted Surgeries and Services performed at Pacific
19 Hospital: (a) the health care benefit programs would have subjected
20 the claims to additional review, would not have paid the claims,
21 and/or would have paid a lesser amount on the claims; and (b)
22 patients would have more closely scrutinized a surgery or hospital
23 service recommendation, would have sought second opinions from
24 physicians who did not have a financial conflict of interest, would
25 not have had the surgery or service performed, and/or would have
26 insisted on a different hospital facility.

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1 D. OVERT ACTS

2 18. On or about the following dates, in furtherance of the
3 conspiracy and to accomplish the objects of the conspiracy, Drobot,
4 defendant PAPA, UCC-B, UCC-C, UCC-D, UCC-F, and other co-conspirators
5 known and unknown to the United States Attorney, committed, willfully
6 caused others to commit, and aided and abetted the commission of the
7 following overt acts, among others, within the Central District of
8 California and elsewhere:

9 Overt Act No. 1: On or about May 24, 2011, defendant PAPA
10 emailed UCC-B, a copy of a "Consulting and Business Development
11 Agreement," between defendant PAPA and Pacific Hospital, which was
12 effective May 1, 2011. Defendant PAPA wrote, in part, "Attached
13 please find the contract . . . I look forward to our mutually
14 beneficial relationship. Thank you for choosing our office."

15 Overt Act No. 2: On or about June 8, 2011, UCC-B emailed
16 Drobot, forwarding an email in which defendant PAPA was asking for
17 \$10,000. UCC-B stated, "Here is the message from [defendant PAPA],
18 the chiro who feeds cases to [UCC-D]. She is looking for \$10,000. I
19 don't know how fast we can process a check. . .", "I will get you the
20 contract and other information I have that may be necessary for a
21 check."

22 Overt Act No. 3: As part of the email chain in the preceding
23 Overt Act, UCC-B forwarded the email to Drobot and stated, "FYI, and
24 three more being authorized and scheduled."

25 Overt Act No. 4: On or about June 8, 2011, Pacific Hospital
26 issued a check (#262519) for \$10,000.00 to California Authorizations,
27 LLC.

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1 Overt Act No. 5: On or about June 21, 2011, UCC-D performed
2 surgery on patient R.M. at Pacific Hospital, based on a referral from
3 defendant PAPA.

4 Overt Act No. 6: On or about June 23, 2011, defendant PAPA
5 emailed UCC-B, stating in part, "Per Your request here are the
6 surgeries since May 2011." Defendant PAPA then listed 6 patients,
7 their dates of surgery, and a description of their surgeries. The
8 list included patient R.M.'s surgery on June 21, 2011.

9 Overt Act No. 7: On or about August 31, 2011, UCC-D and
10 defendant PAPA caused SCIF to mail check number CI0604328 to Pacific
11 Hospital in the amount of \$34,157.75 for reimbursement of the claim
12 related to the hospital-billing component for patient R.M., who
13 defendant PAPA referred to UCC-D.

14 Overt Act No. 8: On or about November 8, 2011, based on a
15 referral from defendant PAPA, UCC-D performed surgery on patient C.P.
16 at Pacific Hospital.

17 Overt Act No. 9: On or about June 6, 2012, defendant PAPA
18 emailed UCC-C and copied others including UCC-D. In the email,
19 defendant PAPA provided a list of approved surgeries. The list
20 included five patients whose names were in bold, with type of surgery
21 and dates listed for four of the names. Patient I.G. was included in
22 this list. In addition, three other names were listed that were not
23 bold, one of which stated "Attorney took him away" and the other two
24 stated "Declined wants to wait" and "Declined."

25 Overt Act No. 10: On or about June 7, 2012, based on a
26 referral from defendant PAPA, UCC-D performed surgery on patient I.G.
27 at Pacific Hospital.

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1 Overt Act No. 11: On or about July 20, 2012, Travelers
2 Insurance mailed check number 82753548 to Pacific Hospital in the
3 amount of \$34,372.93, for reimbursement of the claim related to the
4 hospital-billing component for patient I.G., who defendant PAPA
5 referred to UCC-D for surgery.

6 Overt Act No. 12: On or about June 20, 2012, defendant PAPA
7 emailed UCC-C, copying UCC-D, and stated, in part, "This is what I
8 have: 18 procedures were performed between May 30, 2011 and present.
9 7 were authorized but declined. 2 are set to be scheduled this
10 Thursday when they see [UCC-D]. This doesn't count the procedures
11 between January and June of 2011." Defendant PAPA then listed the
12 names, personal identifiers, dates of surgery and procedures for
13 multiple patients. The list included patients R.M. and I.G.

14 Overt Act No. 13: On or about August 14, 2012, based on a
15 referral from defendant PAPA, UCC-D performed surgery on patient F.V.
16 at Pacific Hospital.

17 Overt Act No. 14: On or about October 3, 2012, UCC-C sent an
18 email to defendant PAPA and stated, in part, "Were there any
19 surgeries for [UCC-D] for September."

20 Overt Act No. 15: On or about November 21, 2012, based on a
21 referral from defendant PAPA, UCC-D performed surgery on patient J.A.
22 at Pacific Hospital.

23 Overt Act No. 16: On or about January 29, 2014, defendant PAPA
24 and UCC-D caused SCIF to mail a check (number CT-365625) to Pacific
25 Hospital in the amount of \$73,833.27 for reimbursement of the claim
26 related to the hospital-billing component for patient J.A., who
27 defendant Papa referred to UCC-D.

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FORFEITURE ALLEGATION

[18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461(c)]

19. Pursuant to Rule 32.2(a), Fed. R. Crim. P., notice is hereby given to defendant LAUREN PAPA ("defendant") that the United States will seek forfeiture as part of any sentence in accordance with Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), in the event of defendant's conviction under Count One of this Information.

20. Defendant shall forfeit to the United States the following property:

a. all right, title, and interest in any and all property, real or personal, that constitutes or is derived, directly or indirectly, from the proceeds traceable to the commission of any offense set forth in Count One of this Information; and

b. a sum of money equal to the total value of the property described in subparagraph a.

23. Pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c), defendant shall forfeit substitute property, up to the total value of the property described in the preceding paragraph if, as a result of any act or omission of defendant, the property described in the preceding paragraph, or any portion thereof (a) cannot be located upon the exercise of due diligence; (b) has been transferred, sold to or deposited with a third party; (c) has been placed beyond the

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1 jurisdiction of the Court; (d) has been substantially diminished in
2 value; or (e) has been commingled with other property that cannot be
3 divided without difficulty.

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TRACY L. WILKISON
Attorney for the United States,
Acting Under Authority Conferred
by 28 U.S.C. § 515



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