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CLERK U.S. DISTRICT COURT
CENTRAL DISTRICT OF CALIF.
LOS ANGELES

UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA
October 2015 Grand Jury

UNITED STATES OF AMERICA,

Plaintiff,

v.

SIMON HONG,
aka "Seong Wook Hong,"
GRACE HONG,
aka "Mi Kyung Hong,"
aka "Caris Mi Kyung," and
KEITH CANLAPAN,
aka "Keith Himmel Malonzo
Canlapan,"

Defendants.

No. CR 16-0414

I N D I C T M E N T

[18 U.S.C. § 1349: Conspiracy
to Commit Health Care Fraud;
18 U.S.C. § 1347: Health Care
Fraud; 18 U.S.C. § 2(b):
Causing an Act to be Done;
18 U.S.C. §§ 981(a)(1)(C),
982(a)(7); 28 U.S.C. § 2461(c):
Criminal Forfeiture]

The Grand Jury charges:

COUNT ONE

[18 U.S.C. § 1349]

A. INTRODUCTORY ALLEGATIONS

At all times relevant to this Indictment:

1. JH Physical Therapy, Inc. ("JH Physical Therapy") was
a clinic located in Walnut, California, within the Central
District of California.

1 2. Defendant SIMON HONG, also known as ("aka") "Seong
2 Wook Hong" ("S. HONG"), was a resident of Brea, California,
3 within the Central District of California.

4 3. Defendant GRACE HONG, aka "Mi Kyung Hong," aka "Caris
5 Mi Kyung" ("G.HONG"), was a resident of Brea, California, within
6 the Central District of California. Defendant G. HONG co-
7 operated JH Physical Therapy.

8 4. Defendant KEITH CANLAPAN, aka "Keith Himmel Malonzo
9 Canlapan" ("CANLAPAN"), was a resident of West Covina,
10 California, within the Central District of California.
11 Defendant CANLAPAN was an occupational therapist ("OT") licensed
12 to practice in California and an enrolled Medicare provider.

13 5. Co-conspirator Roderick Belmonte Concepcion
14 ("Concepcion"), was the co-operator of JH Physical Therapy.
15 Concepcion was an OT licensed to practice in California and an
16 enrolled Medicare provider.

17 6. Beginning in or around May 2009 and continuing
18 through in or around November 2013, defendant S. HONG owned,
19 operated, and controlled Hong's Medical Management, Inc.
20 ("Hong's Medical"), CMH Practice Solution ("CMH Practice"), and
21 HK Practice and Solution, Inc. ("HK Practice") (collectively,
22 the "Hong Companies"), all California corporations located
23 within the Central District of California.

24 7. Beginning in or around May 2009 and continuing through
25 in or around December 2012, defendant S. HONG leased, co-
26 operated, and controlled JH Physical Therapy.

1 The Medicare Program

2 8. Medicare was a federal health care benefit program,
3 affecting commerce, that provided benefits to individuals who
4 were 65 years and older or disabled. Medicare was administered
5 by the Centers for Medicare and Medicaid Services ("CMS"), a
6 federal agency under the United States Department of Health and
7 Human Services. Medicare was a "health care benefit program" as
8 defined by Title 18, United States Code, Section 24(b).

9 9. Individuals who qualified for Medicare benefits were
10 referred to as Medicare "beneficiaries." Each beneficiary was
11 given a unique health insurance claim number ("HICN"). Health
12 care providers who provided medical services that were
13 reimbursed by Medicare were referred to as Medicare "providers."

14 10. CMS contracted with regional contractors to certify
15 providers for participation in the Medicare program and monitor
16 their compliance with Medicare standards to process and pay
17 Medicare claims.

18 11. To participate in Medicare, a provider was required to
19 submit an application in which the provider agreed to comply
20 with all Medicare-related laws and regulations. If Medicare
21 approved a provider's application, Medicare assigned the
22 provider a Medicare "provider number," which was used for
23 processing and payment of claims.

24 12. A health care provider with a Medicare provider number
25 could submit claims to Medicare to obtain reimbursement for
26 services rendered to Medicare beneficiaries.

1 13. Most providers submitted their claims electronically
2 pursuant to an agreement they executed with Medicare in which
3 the providers agreed that they: (a) were responsible for all
4 claims submitted to Medicare by themselves, their employees, and
5 their agents; (b) would submit claims only on behalf of those
6 Medicare beneficiaries who had given their written authorization
7 to do so; and (c) would submit claims that were accurate,
8 complete, and truthful.

9 14. Medicare reimbursed providers only for services,
10 including occupational therapy, that were medically necessary to
11 the treatment of a beneficiary's illness or injury, were
12 prescribed by a beneficiary's physician or a qualified
13 physician's assistant acting under the supervision of a
14 physician, and were provided in accordance with Medicare
15 regulations and guidelines that governed whether a particular
16 service or product would be reimbursed by Medicare.

17 15. Medicare required that occupational therapy services
18 be performed by (a) a physician, (b) an OT, or (c) an
19 occupational therapist assistant ("OTA") acting under the direct
20 supervision of a physician or OT. "Direct supervision" meant
21 that the doctor or OT was physically present in the same office
22 suite and immediately available to provide assistance and
23 direction throughout the time the OTA was performing
24 occupational therapy services. Occupational therapy services
25 provided by aides or occupational therapy students were not
26 reimbursable by Medicare, regardless of the level of
27 supervision.

1 16. Medicare did not cover acupuncture or reimburse
2 providers for acupuncture services. Medicare did not cover
3 massages unless they were therapeutic massages provided by a
4 licensed therapist as a part of the beneficiary's plan of care.

5 17. A Medicare claim for payment was required to set
6 forth, among other things, the following: the beneficiary's name
7 and unique Medicare identification number; the types of services
8 provided to the beneficiary; the date that the services were
9 provided; and the name and National Provider Identifier ("NPI")
10 of the provider who provided the item or services.

11 B. THE OBJECT OF THE CONSPIRACY

12 18. Beginning in or around May 2009, and continuing
13 through in or around December 2012, in Los Angeles County,
14 within the Central District of California, and elsewhere,
15 defendants S. HONG, G. HONG, and CANLAPAN, together with co-
16 conspirator Concepcion and others known and unknown to the Grand
17 Jury, knowingly combined, conspired, and agreed to commit health
18 care fraud, in violation of Title 18, United States Code,
19 Section 1347.

20 C. THE MANNER AND MEANS OF THE CONSPIRACY

21 19. The object of the conspiracy was carried out, and to
22 be carried out, in substance, as follows:

23 a. On or about May 28, 2009, defendant S. HONG,
24 together with co-conspirator Concepcion, opened an individual
25 account at Wilshire State Bank, account number ****7614 (the
26 "7614 Account"). Defendant S. HONG and co-conspirator
27 Concepcion were authorized signors on this account.

1 b. On or about August 4, 2009, at the direction of
2 defendant S. HONG, and others known and unknown to the Grand
3 Jury, co-conspirator Concepcion executed and submitted an
4 enrollment application to Medicare as an individual non-
5 physician practitioner (occupational therapist in private
6 practice), with a practice location of 20265 Valley Blvd., Suite
7 O, Walnut, California ("Valley Blvd. Location").

8 c. On or about August 4, 2009, at the direction of
9 defendant S. HONG, and others known and unknown to the Grand
10 Jury, co-conspirator Concepcion executed and submitted an
11 Electronic Funds Transfer Agreement ("EFT") to Medicare to
12 receive payment by electronic transfers into the 7614 Account.

13 d. On or about September 17, 2009, defendant
14 S. HONG, together with co-conspirator Concepcion, opened a
15 corporate bank account for JH Physical Therapy at Wilshire State
16 Bank, account number ****8440 (the "8440 Account"). Defendant
17 S. HONG and co-conspirator Concepcion were authorized signors on
18 this account.

19 e. On or about October 1, 2009, at the direction of
20 defendant S. HONG, and others known and unknown to the Grand
21 Jury, co-conspirator Concepcion executed and submitted an
22 enrollment application to Medicare on behalf of JH Physical
23 Therapy, with a practice location of 355 South Lemon Avenue,
24 Suite G., Walnut, California ("Lemon Avenue Location"). Co-
25 conspirator Concepcion signed the Medicare application as
26 President of JH Physical Therapy.

1 f. On or about October 1, 2009, at the direction of
2 defendant S. HONG, and others known and unknown to the Grand
3 Jury, co-conspirator Concepcion, on behalf of JH Physical
4 Therapy, executed and submitted an EFT to Medicare to receive
5 payment by electronic transfers into the 8440 Account.

6 g. On or about October 1, 2009, at the direction of
7 defendant S. HONG, and others known and unknown to the Grand
8 Jury, co-conspirator Concepcion executed and submitted a
9 reassignment of his individual non-physician practitioner
10 Medicare benefits to JH Physical Therapy.

11 h. On or about October 1, 2009, defendant CANLAPAN
12 executed and submitted an enrollment application to Medicare as
13 an individual non-physician practitioner (occupational therapist
14 in private practice), with a practice location at the Lemon
15 Avenue Location.

16 i. On or about October 1, 2009, defendant CANLAPAN
17 executed and submitted a reassignment of his individual non-
18 physician practitioner Medicare benefits to JH Physical Therapy.

19 j. On or about December 21, 2009, co-conspirator
20 Concepcion executed and submitted to Medicare, on behalf of JH
21 Physical Therapy, an Electronic Data Interchange Enrollment
22 Agreement ("EDI") in his capacity as President.

23 k. Defendant S. HONG, together with co-conspirator
24 Concepcion, recruited and hired occupational therapists, many of
25 whom worked full-time elsewhere, including defendant CANLAPAN,
26 to purportedly perform occupational therapy, including
27 evaluations, re-evaluations, and therapeutic exercises or
28 procedures, for Medicare beneficiaries at JH Physical Therapy.

1 l. While at JH Physical Therapy, as defendants
2 S. HONG, G. HONG, and CANLAPAN knew, Medicare beneficiaries
3 would often receive only massage (non-therapeutic) and
4 acupuncture (services not covered by Medicare) from individuals
5 not licensed to perform occupational therapy.

6 m. For these Medicare beneficiaries that received
7 only massage and acupuncture services, defendants S. HONG, G.
8 HONG, and CANLAPAN, together with co-conspirator Concepcion and
9 others known and unknown to the Grand Jury, falsified or caused
10 to be falsified records that made it appear as though those
11 Medicare beneficiaries had received occupational therapy
12 services from specific OTs, including defendant CANLAPAN and co-
13 conspirator Concepcion and others known and unknown to the Grand
14 Jury. On some occasions, as defendants S. HONG, G. HONG, and
15 CANLAPAN, together with co-conspirator Concepcion and others
16 known and unknown to the Grand Jury, well knew, the OTs who
17 purportedly performed the occupational therapy services
18 referenced in the claims to Medicare, were not present at JH
19 Physical Therapy when the purported services occurred and could
20 not have performed the occupational therapy services. These
21 beneficiaries who are identified by their initials, among
22 others, are P.S., B.L., G.A.K., M.L.C., K.I.Y., B.L., J.S.,
23 B.S.C., M.J.H.S., and O.S.L.

24 n. For these Medicare beneficiaries that received
25 massage and acupuncture services only, defendants S. HONG, G.
26 HONG, and CANLAPAN, together with co-conspirator Concepcion and
27 others known and unknown to the Grand Jury, submitted and caused
28 to be submitted claims to Medicare for reimbursement for

1 occupational therapy services that were never provided.

2 o. Between in or around October 2, 2009, and in or
3 around December 14, 2012, defendants S. HONG, G. HONG, and
4 CANLAPAN, together with co-conspirator Concepcion and others
5 known and unknown to the Grand Jury, submitted and caused to be
6 submitted approximately \$5,339,236 in claims to Medicare,
7 resulting in Medicare payments of approximately \$3,721,572.
8 Defendant S. HONG, through the Hong Companies, received
9 approximately \$3,488,600 of this amount. Defendant S. Hong then
10 disbursed money to defendants G. HONG, CANLAPAN, and co-
11 conspirator Concepcion and others known and unknown to the Grand
12 Jury, through the Hong Companies' bank accounts.

COUNTS TWO THROUGH EIGHT

[18 U.S.C. §§ 1347, 2(b)]

20. The Grand Jury incorporates by reference and re-alleges paragraphs 1 through 17 and 19 as though set forth in their entirety here.

A. THE SCHEME TO DEFRAUD

21. Beginning in or around May 2009, and continuing through in or around December 2012, in Los Angeles County, within the Central District of California, and elsewhere, defendants S. HONG, G. HONG, and CANLAPAN, together with co-conspirator Concepcion and others known and unknown to the Grand Jury, knowingly, willfully, and with intent to defraud, executed, and attempted to execute, a scheme and artifice:

(a) to defraud a health care benefit program, namely Medicare, as to material matters in connection with the delivery and payment for health care benefits, items, and services; and

(b) to obtain money from Medicare by means of material false and fraudulent pretenses and representations and the concealment of material facts in connection with the delivery of and payment for health care benefits, items, and services.

B. MEANS TO ACCOMPLISH THE FRAUDULENT SCHEME

22. The fraudulent scheme operated, in substance, as described in paragraph 19 of this Indictment.

C. THE EXECUTION OF THE FRAUDULENT SCHEME

23. On or about the dates set forth below, within the Central District of California, and elsewhere, defendants S. HONG, G. HONG, and CANLAPAN, together with co-conspirator Concepcion and others known and unknown to the Grand Jury,

1 knowingly and willfully executed and attempted to execute the
 2 fraudulent scheme described above, by submitting and causing to
 3 be submitted to Medicare for payment the following false and
 4 fraudulent claims:

COUNT	DEFENDANT	APPROX. DATE ALLEGED SERVICES PERFORMED	APPROX. DATE CLAIM SUBMITTED	BENEFICIARY AND SERVICE (CODE)	APPROX. AMOUNT OF CLAIM	CLAIM NUMBER
TWO	CANLAPAN	04/21/2011	04/22/2011	K.I.Y., Occupational Therapy Re- Evaluation, 97004	\$50.00	55111111 2870260
THREE	CANLAPAN	04/23/2011	04/27/2011	O.S.L., Occupational Therapy Evaluation, 97003	\$87.00	55111111 7549260
FOUR	CANLAPAN	05/04/2011	05/05/2011	G.A.K., Occupational Therapy Evaluation, 97003	\$86.59	55111112 5556850
FIVE	CANLAPAN	05/10/2011	05/11/2011	O.S.L., Therapeutic Procedures, 97110	\$70.00	55111113 1854380
SIX	S. HONG G. HONG CANLAPAN	07/01/2011	07/05/2011	G.A.K., Occupational Therapy Re- Evaluation, 97004	\$50.00	55111118 6504710
SEVEN	S. HONG G. HONG CANLAPAN	08/24/2011	08/25/2011	K.I.Y., Occupational Therapy Re- Evaluation, 97004	\$50.00	55111123 7564060
EIGHT	S. HONG G. HONG CANLAPAN	09/13/2012	09/15/2012	P.S., Therapeutic Procedure, 97110	\$69.80	55111225 8585380

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[18 U.S.C. §§ 982(a)(7), 981(a)(1)(C) and
28 U.S.C. § 2461(c)]

1. Pursuant to Rule 32.2(a) Fed. R. Crim. P., notice is hereby given to defendants SIMON HONG, also known as ("aka") "Seong Wook Hong" ("S. HONG"), GRACE HONG, aka "Mi Kyung Hong," aka "Caris Mi Kyung" ("G.HONG"), KEITH CANLAPAN, aka "Keith Himmel Malonzo Canlapan" ("CANLAPAN") (collectively, "defendants"), that the United States will seek forfeiture as part of any sentence in accordance with Title 18, United States Code, Sections 982(a)(7) and 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), in the event of any defendant's conviction under any of the Counts One through Eight of this Indictment.

2. Defendants 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 gross proceeds traceable to the commission of any offense set forth in any of Counts One through Eight of this Indictment; and

b. A sum of money equal to the total value of the property described in subparagraph a. For each of Counts One through Eight for which more than one defendant is found guilty, each such defendant shall be jointly and severally liable for the entire amount forfeited pursuant to that Count.

3. Pursuant to Title 21, United States Code, Section 53(p), as incorporated by Title 28, United States Code, Section

2461(c), and Title 18, United States Code, Section 982(b), each
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 a 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

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

7 A TRUE BILL

8 19
9 Foreperson

10 EILEEN M. DECKER
11 United States Attorney

12 
13 LAWRENCE S. MIDDLETON
14 Assistant United States Attorney
Chief, Criminal Division

15 GEORGE CARDONA
16 Assistant United States Attorney
Chief, Major Frauds Section

17 RANEE KATZENSTEIN
18 Assistant United States Attorney
19 Deputy Chief, Major Frauds Section

20 PABLO QUIÑONES
21 Deputy Chief, Fraud Section
United States Department of Justice

22 DIIDRI ROBINSON
23 Assistant Chief, Fraud Section
United States Department of Justice

24 BLANCA QUINTERO
25 Trial Attorney, Fraud Section
United States Department of Justice