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U.S. DISTRICT COURT
CENTRAL DIST. OF CALIF.
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UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

February 2011 Grand Jury

CR 11 00814

UNITED STATES OF AMERICA,)
)
Plaintiff,)
)
v.)
)
GEORGE HAKOPIAN,)
 aka "Rafik," and)
YERVAND KHACHATRYAN,)
 aka "Arthur Khachatryan,")
)
Defendants.)

CR 11-)
)
I N D I C T M E N T)
)
[18 U.S.C. § 1347: Health Care)
Fraud; 18 U.S.C.)
§ 1956(a)(1)(B)(i): Money)
Laundering]

The Grand Jury charges:

COUNTS ONE THROUGH TEN

[18 U.S.C. § 1347]

A. GENERAL ALLEGATIONS

At all times relevant to this Indictment:

The Defendants and Midvalley Medical Supply

1. Midvalley Medical Supply ("Midvalley") was a durable medical equipment ("DME") supply company located at 15246 Saticoy Street, Van Nuys, California 91405, within the Central District of California.

1 2. Midvalley was a Medicare provider from on or about
2 September 13, 2007, until on or about October 27, 2009.

3 3. Defendant GEORGE HAKOPIAN, also known as "Rafik"
4 ("defendant HAKOPIAN"), was enrolled with Medicare as the owner
5 and managing employee of Midvalley from on or about May 1, 2008,
6 until on or about April 25, 2009, though he continued to assist
7 in the operation of and exerted control over Midvalley after that
8 date.

9 4. Defendant YERVAND KHACHATRYAN, also known as "Arthur
10 Khachatryan" ("defendant KHACHATRYAN"), was enrolled with
11 Medicare as the owner and managing employee of Midvalley from on
12 or about April 25, 2009, until on or about October 27, 2009.

13 5. Midvalley used Quality Medical Billing to submit its
14 Medicare billing from on or about November 16, 2007, until on or
15 about November 5, 2008.

16 6. Midvalley used International Billing to submit its
17 Medicare billing from on or about November 19, 2008, until on or
18 about July 30, 2009.

19 7. Midvalley submitted claims to Medicare on its own
20 behalf from on or about July 31, 2009, until on or about October
21 22, 2009.

22 8. Between on or about September 17, 2008, and on or about
23 April 24, 2009, Midvalley billed Medicare approximately
24 \$436,514.46, and Medicare paid Midvalley approximately \$98,798.38
25 for those claims.

26 9. Between on or about April 25, 2009, and on or about
27 October 22, 2009, Midvalley billed Medicare approximately
28 \$4,392,312.31, and Medicare paid Midvalley approximately

1 \$847,178.21 for those claims.

2 The Medicare Program

3 10. Medicare was a federal health care benefit program,
4 affecting commerce, that provided benefits to individuals who
5 were over the age of 65 or disabled. Medicare was administered
6 by the Centers for Medicare and Medicaid Services ("CMS"), a
7 federal agency under the United States Department of Health and
8 Human Services ("HHS").

9 11. CMS contracted with private insurance companies to
10 certify DME providers for participation in the Medicare program
11 and monitor their compliance with Medicare standards, to process
12 and pay claims, and to perform program safeguard functions, such
13 as identifying and reviewing suspect claims.

14 12. Noridian Administrative Services ("Noridian") processed
15 and paid Medicare DME claims in Southern California.

16 13. Individuals who qualified for Medicare benefits were
17 referred to as Medicare "beneficiaries." Each Medicare
18 beneficiary was given a Health Identification Card containing a
19 unique identification number ("HICN").

20 14. DME companies, physicians, and other health care
21 providers that provided medical services that were reimbursed by
22 Medicare were referred to as Medicare "providers."

23 15. To obtain reimbursement from Medicare, a DME company
24 first had to apply for and obtain a provider number. By signing
25 the provider application, the DME company agreed to abide by all
26 Medicare rules and regulations.

27 16. If Medicare approved a provider's application, Medicare
28 assigned the provider a Medicare provider number, which enabled

1 the DME company to submit claims to Medicare for services
2 rendered to Medicare beneficiaries.

3 17. Most DME providers, including Midvalley, submitted
4 their claims electronically pursuant to an agreement with
5 Medicare that they would submit claims that were accurate,
6 complete, and truthful.

7 18. DME providers were only entitled to Medicare
8 reimbursement for DME that was medically necessary to the
9 treatment of a beneficiary's illness or injury, was prescribed by
10 a beneficiary's physician, and was provided in accordance with
11 Medicare regulations and guidelines that governed whether a
12 particular item or service would be reimbursed by Medicare.

13 19. To bill Medicare for DME it provided to a beneficiary,
14 a DME provider was required to submit a claim to the appropriate
15 contractor, in this case Noridian. Medicare required claims to
16 be truthful, complete, and not misleading. In addition, when a
17 claim was submitted, the provider was required to certify that
18 the services or supplies covered by the claim were medically
19 necessary.

20 20. Medicare required a claim for Medicare reimbursement of
21 DME to set forth, among other things, the beneficiary's name and
22 HICN, the type of DME provided to the beneficiary, the date the
23 DME was provided, and the name and unique physician
24 identification number ("NPI") of the physician who prescribed or
25 ordered the DME.

26 B. THE SCHEME TO DEFRAUD

27 21. Beginning on or about May 1, 2008, and continuing until
28 on or about October 27, 2009, in Los Angeles County, within the

1 Central District of California, and elsewhere, defendant
2 HAKOPIAN, together with others known and unknown to the Grand
3 Jury, including defendant KHACHATRYAN beginning no later than on
4 or about April 25, 2009, knowingly, willfully, and with intent to
5 defraud, executed a scheme and artifice: (a) to defraud a health
6 care benefit program, namely, Medicare, as to material matters in
7 connection with the delivery of and payment for health care
8 benefits, items, and services; and (b) to obtain money from
9 Medicare by means of material false and fraudulent pretenses and
10 representations and the concealment of material facts in
11 connection with the delivery of and payment for health care
12 benefits, items, and services.

13 C. THE FRAUDULENT SCHEME

14 22. The scheme operated, in substance, in the following
15 manner:

16 a. On or about May 1, 2008, defendant HAKOPIAN
17 acquired Midvalley and reported the change in ownership to
18 Medicare on or about July 7, 2008.

19 b. While he was the owner of Midvalley, defendant
20 HAKOPIAN obtained Medicare beneficiary names, HICNs, and other
21 patient information through various means, and used this
22 information to submit false and fraudulent claims to Medicare,
23 primarily for motorized wheelchairs that were not medically
24 necessary and often were never provided to beneficiaries.

25 c. To support his fraudulent billing claims to
26 Medicare and conceal his fraudulent scheme, defendant HAKOPIAN
27 created fake delivery logs that purported to reflect defendant
28 HAKOPIAN's delivery of motorized wheelchairs and other DME items

1 to Medicare beneficiaries, including beneficiaries living as far
2 away as Fresno, California, and at least one beneficiary who was
3 deceased.

4 d. Defendant HAKOPIAN directed that Medicare payments
5 be deposited into a Midvalley bank account at J.P. Morgan Chase
6 (the "Midvalley Bank Account") that he controlled.

7 e. On or about April 25, 2009, defendant HAKOPIAN
8 purported to sell Midvalley to defendant KHACHATRYAN, and
9 defendant KHACHATRYAN informed Medicare that he was now
10 Midvalley's owner and managing employee.

11 f. Although no longer enrolled with Medicare as
12 Midvalley's owner, defendant HAKOPIAN continued to withdraw money
13 from the Midvalley Bank Account and issue checks from the
14 Midvalley Bank Account to others after April 25, 2009.

15 g. Furthermore, after April 25, 2009, defendants
16 HAKOPIAN and KHACHATRYAN worked together at Midvalley,
17 communicated with Medicare about Midvalley's purported compliance
18 with Medicare regulations, and submitted claims on Midvalley's
19 behalf for the unnecessary and often undelivered motorized
20 wheelchairs described in defendant HAKOPIAN's delivery logs.

21 h. Defendant KHACHATRYAN also used Medicare
22 beneficiary names, HICNs, and other patient information to submit
23 a large number of false and fraudulent claims to Medicare for
24 orthotics that were not medically necessary and often were never
25 provided to Medicare beneficiaries, including claims for
26 beneficiaries who were deceased.

27 i. The false and fraudulent claims defendant
28 KHACHATRYAN submitted to Medicare used some of the same referring

1 doctors present on Midvalley claims under defendant HAKOPIAN's
2 ownership, and were for some of the same beneficiaries who had
3 purportedly already received DME items (including the same DME
4 items) from Midvalley under defendant HAKOPIAN's ownership.

5 j. On or about July 31, 2009, defendants HAKOPIAN and
6 KHACHATRYAN changed the signatory on the Midvalley Bank Account
7 to defendant KHACHATRYAN's name. Even after this change in
8 signatory, Medicare continued to deposit payments into this
9 account, and defendants HAKOPIAN and KHACHATRYAN continued to be
10 involved in transactions for this account.

11 D. EXECUTION OF THE FRAUDULENT SCHEME

12 23. On or about the following dates, among others, in Los
13 Angeles County, within the Central District of California, and
14 elsewhere, defendants HAKOPIAN and KHACHATRYAN, together with
15 others known and unknown to the Grand Jury, for the purpose of
16 executing the scheme to defraud described above, knowingly and
17 willfully submitted and caused to be submitted to Medicare the
18 following false and fraudulent claims:

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Count	Defendant	Date Claim Submitted	Beneficiary and Service	Amount Claimed	Claim No.
ONE	HAKOPIAN	12/12/2008	M.Y. - Motorized wheelchair and accessories	\$5,445.38	8347811374000
TWO	HAKOPIAN	2/25/2009	S.A. - Motorized wheelchair and accessories	\$5,445.38	9056814164000

1	THREE	HAKOPIAN	2/25/2009	Y.Y. - Motorized wheelchair and accessories	\$5,445.38	9056814441000
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4	FOUR	HAKOPIAN	3/20/2009	A.D. - Motorized wheelchair and accessories	\$5,445.38	9079800224000
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6	FIVE	HAKOPIAN, KHACHATRYAN	5/1/2009	R.T. - Motorized wheelchair and accessories	\$5,445.38	9121850920000
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8						
9	SIX	HAKOPIAN, KHACHATRYAN	5/14/2009	A.D. - Motorized wheelchair and accessories	\$5,445.38	9134842540000
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11	SEVEN	KHACHATRYAN	9/17/2009	M.A. - Orthotics	\$2,641.00	9260838651000
12	EIGHT	KHACHATRYAN	9/23/2009	T.V.N. - Orthotics	\$2,522.00	9266841857000
13						
14	NINE	KHACHATRYAN	10/13/2009	T.N. - Orthotics	\$2,597.00	9286853271000
15	TEN	HAKOPIAN, KHACHATRYAN	10/22/2009	T.V.N. - Orthotics	\$2,434.00	9295844556000

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COUNTS ELEVEN THROUGH FIFTEEN

[18 U.S.C. § 1956(a) (1) (B) (i)]

24. The Grand Jury hereby repeats and realleges paragraphs 1-20 and 22 of this Indictment as if fully set forth herein.

25. On or about the following dates, in Los Angeles County, within the Central District of California, and elsewhere, defendants HAKOPIAN and KHACHATRYAN, together with others known and unknown to the Grand Jury, knowing that the property involved in each of the financial transactions described below represented the proceeds of some form of unlawful activity, conducted and willfully caused others to conduct the following financial transactions affecting interstate commerce, which transactions in fact involved the proceeds of specified unlawful activity, namely, health care fraud, in violation of 18 U.S.C. § 1347, knowing that each of the transactions was designed in whole and in part to conceal and disguise the nature, location, source, ownership, and control of the proceeds of such specified unlawful activity:

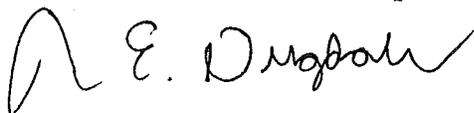
Count	Date	Financial Transaction
ELEVEN	9/29/2009	Negotiation of check number 1238, drawn on the Midvalley Bank Account, in the amount of \$9,800, payable to K.Y.
TWELVE	10/6/2009	Negotiation of check number 1248, drawn on the Midvalley Bank Account, in the amount of \$11,100, payable to K.Y.
THIRTEEN	10/8/2009	Negotiation of check number 1252, drawn on the Midvalley Bank Account, in the amount of \$9,900, payable to K.Y.

1	FOURTEEN	10/14/2009	Negotiation of check number 1264, drawn on the Midvalley Bank Account, in the amount of \$8,100, payable to K.Y.
2			
3	FIFTEEN	10/14/2009	Negotiation of check number 1265, drawn on the Midvalley Bank Account, in the amount of \$6,900, payable to K.Y.
4			

7 A TRUE BILL

8 15/
9 Foreperson

10 ANDRÉ BIROTTE JR.
11 United States Attorney

12 

13 ROBERT E. DUGDALE
14 Assistant United States Attorney
15 Chief, Criminal Division

16 BEONG-SOO KIM
17 Assistant United States Attorney
18 Chief, Major Frauds Section

19 CONSUELO S. WOODHEAD
20 Assistant United States Attorney
21 Deputy Chief, Major Frauds Section

22 KRISTEN A. WILLIAMS
23 Assistant United States Attorney
24 Major Frauds Section