

AUSA

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF MICHIGAN  
SOUTHERN DIVISION

Case:2:13-cr-20358  
Judge: Edmunds, Nancy G.  
MJ: Michelson, Laurie J.  
Filed: 05-09-2013 At 04:03 PM  
INDI USA V. SEALED MATTER (TAM)

UNITED STATES OF AMERICA

v.

SUBHA S. REDDY,

VIO: 18 U.S.C. § 1347  
18 U.S.C. § 287  
18 U.S.C. § 371  
18 U.S.C. § 1956  
18 U.S.C. § 982  
18 U.S.C. § 2

Defendant.

\_\_\_\_\_ /

**INDICTMENT**

THE GRAND JURY CHARGES:

**General Allegations**

At all times relevant to this Indictment:

**The Medicare Program**

1. The Medicare program was a federal health care program providing benefits to persons who were over the age of 65 or disabled. Medicare was administered by the Centers for Medicare and Medicaid Services (“CMS”), a federal agency under the United States Department of Health and Human Services. Individuals who received benefits under Medicare were referred to as Medicare “beneficiaries.”

2. Medicare was a “health care benefit program,” as defined by Title 18, United States Code, Section 24(b).

3. The Medicare program included coverage under two primary components, hospital insurance (“Part A”) and medical insurance (“Part B”). Part B of the Medicare program covered the cost of physicians’ services and other ancillary services not covered by Part A.

Specifically, Part B covered diagnostic laboratory services involving biological, microbiological, serological, chemical, immunohematological, hematological, biophysical, cytological, pathological, or other examination of materials derived from the human body for the diagnosis, prevention, or treatment of a disease or assessment of a medical condition. The diagnostic laboratory services at issue in this Indictment were covered by Part B.

4. Wisconsin Physicians Service (“WPS”) administered the Medicare Part B program for claims arising in the state of Michigan. CMS contracted with WPS to receive, adjudicate, process, and pay certain Part B claims, including services related to diagnostic laboratory testing.

5. TrustSolutions LLC was the Program Safeguard Contractor for Medicare Part A and Part B in the state of Michigan until April 24, 2012, when it was replaced by Cahaba Safeguard Administrators LLC.

6. Payments under the Medicare program were often made directly to a provider of the goods or services, rather than to a beneficiary. This occurred when the provider submitted the claim to Medicare for payment, either directly or through a billing company.

7. Upon certification, the medical provider, whether a clinic, individual, or other health care provider that provided services to Medicare beneficiaries, was able to apply for a Medicare Provider Identification Number (“PIN”) for billing purposes. A health care provider who was assigned a Medicare PIN and provided services to beneficiaries was able to submit claims for reimbursement to the Medicare contractor/carrier that included the PIN assigned to that medical provider. A Medicare claim was required to set forth, among other things, the beneficiary’s name, the date the services were provided, the cost of the services, and the name and identification number of the physician or other health care provider who had ordered the

services. When an individual medical provider was associated with a clinic, Medicare Part B required that the individual provider number associated with the clinic be placed on the claim submitted to the Medicare contractor.

8. By becoming a participating provider in Medicare, enrolled providers agreed to abide by the policies and procedures, rules, and regulations governing reimbursement. To receive Medicare funds, enrolled providers, together with their authorized agents, employees, and contractors, were required to abide by all provisions of the Social Security Act, regulations promulgated under the Act, and applicable policies, procedures, rules, and regulations issued by CMS and its authorized agents and contractors. Health care providers were given and/or provided with online access to Medicare manuals and services bulletins describing proper billing procedures and billing rules and regulations.

9. Providers could only submit claims to Medicare for services they rendered. Medicare Part B regulations required health care providers enrolled with Medicare to maintain complete and accurate patient medical records to verify that the services were provided as described on the claim form. These records were required to be sufficient to permit Medicare, through WPS and other contractors, to review the appropriateness of Medicare payments made to the health care provider under the Part B program.

10. Under Medicare Part B, services provided were required to be reasonable and medically necessary for the treatment or diagnosis of a beneficiary's illness or injury. All diagnostic laboratory tests, and other diagnostic tests, were required to be ordered by the physician who was treating the beneficiary, that is, the physician who furnished a consultation or treated a beneficiary for a specific medical problem. A provider billing for diagnostic laboratory

services was required to have performed the testing pursuant to a physician's order. Tests not ordered by a physician who was treating the beneficiary were not reasonable and necessary.

11. To receive reimbursement for a covered service from Medicare, a provider was required to submit a claim, either electronically or using a form (*e.g.*, a CMS-1500 form or UB-92) containing the required information appropriately identifying the provider, patient, and services rendered.

12. A clinical medical laboratory was a facility for the biological, microbiological, serological, chemical, immunohematological, hematological, biophysical, cytological, pathological, or other examination of materials derived from the human body for the diagnosis, prevention, or treatment of any disease or assessment of a medical condition.

#### **The Clinical Medical Laboratory**

13. Health Diagnostics Incorporated ("HDI") was a Michigan corporation doing business at 21309 Hilltop Street, Building A, Southfield, Michigan 48033. HDI was a clinical medical laboratory that purportedly provided testing of blood, serum, urine, tissue, and other body fluids of patients referred by medical providers. HDI was a Medicare provider and submitted claims directly to Medicare.

#### **The Defendant**

14. SUBHA S. REDDY, a resident of Oakland County, Michigan, was the Vice President, Authorized Officer, and controller of HDI.

#### **COUNT 1** **(18 U.S.C. §§ 1347 and 2—Health Care Fraud)**

15. Paragraphs 1 through 14 of the General Allegations section of this Indictment are re-alleged and incorporated by reference as though fully set forth herein.

16. From on or about April 2009, continuing through on or about November 2012, the exact dates being unknown to the Grand Jury, in Oakland County, in the Eastern District of Michigan, and elsewhere, SUBHA S. REDDY, and others known and unknown to the grand jury, in connection with the delivery of and payment for health care benefits, items, and services, did knowingly and willfully execute, and attempt to execute, a scheme and artifice to defraud a health care benefit program affecting commerce, as defined in Title 18, United States Code, Section 24(b), that is, Medicare, and to obtain, by means of materially false and fraudulent pretenses, representations, and promises, money and property owned by, and under the custody and control of Medicare, in connection with the delivery of and payment for health care benefits, items, and services.

#### **Purpose of the Scheme and Artifice**

17. It was a purpose of the scheme and artifice that SUBHA S. REDDY would unlawfully enrich herself and others through the submission of false and fraudulent Medicare claims for diagnostic laboratory services that were medically unnecessary, not performed, not ordered by a physician, in excess of what the treating physician ordered, and supported by false diagnosis or ICD-9 codes.

#### **The Scheme and Artifice**

18. SUBHA S. REDDY would serve as the controller, Authorized Officer, and Vice President, of HDI in Oakland County, Michigan. Person 1 would serve as the Owner, Incorporator, President, Secretary, Treasurer, and Resident Agent of HDI. Person 2 would serve as the Owner and Authorized Official of HDI. Person 3 would serve as the Resident Agent, President, Secretary, and Treasurer of HDI.

19. Person 1 would create and incorporate HDI in or around May 2005. Person 1 would apply for and maintain a group Medicare provider identification number for HDI to submit Medicare claims. HDI would begin billing Medicare for diagnostic laboratory services in or around October 2005.

20. SUBHA S. REDDY would control the day-to-day operations at HDI beginning in or around April 2009.

21. SUBHA S. REDDY would add medically unnecessary diagnostic laboratory services to patient requisition forms and would cause the submission of Medicare claims for the cost of diagnostic laboratory testing services for Medicare beneficiaries that: (1) were not medically necessary, (2) were not provided; (3) were not ordered by a physician; (4) were in excess of what the treating physician ordered; and (5) were supported by false diagnosis or ICD-9 codes.

22. From on or about April 2009 through on or about November 2012, SUBHA S. REDDY would cause the submission of approximately \$8.2 million in claims to Medicare for diagnostic laboratory services. Medicare would pay approximately \$5.0 million on those claims.

23. SUBHA S. REDDY would transfer and disburse, and cause the transfer and disbursement of, monies from the various corporate accounts of HDI to herself and others.

All in violation of Title 18, United States Code, Sections 1347 and 2.

**COUNTS 2-8**  
**(18 U.S.C. §§ 287 and 2—False Claims)**

24. Paragraphs 1 through 14 of the General Allegations section of this Indictment are re-alleged and incorporated by reference as though fully set forth herein.

25. On or about the dates enumerated below, in Oakland County, in the Eastern District of Michigan, and elsewhere, SUBHA S. REDDY, and others known and unknown to the Grand Jury did make and present, and cause to be made and presented the following claims upon and against the United States and any department or agency thereof, specifically the United States Department of Health and Human Services, a department and agency of the United States, knowing such claims to be false, fictitious, and fraudulent:

Count	Medicare Beneficiary	On or About Service Date	Description of Items Billed	Approximate Amount Billed	Approximate Amount Paid	Date Claim Paid
2	J.F	11/3/2009	Laboratory Tests	\$240.00	\$182.12	12/9/2009
3	C.T.	1/4/2010	Laboratory Tests	\$672.00	\$483.87	1/29/2010
4	B.G.	4/1/2010	Laboratory Tests	\$657.00	\$469.64	5/3/2010
5	B.P.	4/5/2010	Laboratory Tests	\$414.00	\$281.40	5/3/2010 & 5/19/2010
6	A.H.	3/24/2011	Laboratory Tests	\$1,015.00	\$670.43	4/19/2011
7	R.S.	6/3/2011	Laboratory Tests	\$627.00	\$439.26	6/21/2011
8	P.M	6/14/2011	Laboratory Tests	\$637.00	\$447.49	7/25/2011

All in violation of Title 18, United States Code, Sections 287 and 2.

**COUNT 9**  
**(18 U.S.C. § 371—Conspiracy)**

26. Paragraphs 1 through 14 of the General Allegations section of this Indictment are re-alleged and incorporated by reference as though fully set forth herein.

27. From in or around May 2009 and continuing through in or around January 2012, the exact dates being unknown to the Grand Jury, in Oakland County, in the Eastern District of Michigan, and elsewhere, the defendant, SUBHA S. REDDY and others did willfully, and knowingly combine, conspire, confederate, and agree with others, known and unknown to the Grand Jury, to commit certain offenses against the United States, that is,

- (a) to violate Title 42, United States Code, Section 1320a-7b(b)(2)(A) by knowingly and willfully offering or paying any remuneration (including any kickback, bribe, or rebate) directly or indirectly, overtly or covertly, in cash or in kind in return for referring an individual to a person for the furnishing or arranging for the furnishing of any item or service for which payment may be made in whole or in part by Medicare, a Federal health care program as defined in Title 18, United States Code, Section 24(b); and
- (b) to violate Title 42, United States Code, Section 1320a-7b(b)(1)(A) by knowingly and willfully soliciting or receiving any remuneration (including any kickback, bribe, or rebate) directly or indirectly, overtly or covertly, in cash or in kind in return for referring an individual to a person for the furnishing or arranging for the furnishing of any item or service for which payment may be made in whole or in part by Medicare, a Federal health care program as defined in Title 18, United States Code, Section 24(b).

### **Purpose of the Conspiracy**

28. It was a purpose of the conspiracy for SUBHA S. REDDY and others to unlawfully enrich themselves by offering, paying, soliciting, and receiving kickbacks and bribes in exchange for the referral of diagnostic laboratory testing services to HDI.

### **Manner and Means**

The manner and means by which the defendant sought to accomplish the purpose of the conspiracy included, among other things:

29. SUBHA S. REDDY would operate and control a clinical medical laboratory—HDI—for the purpose of billing Medicare for purportedly providing services related to diagnostic laboratory testing.

30. SUBHA S. REDDY would pay cash or write checks from an HDI bank account to a co-conspirator. These cash and check payments were in exchange for the referral of diagnostic laboratory testing services to be billed to Medicare by HDI.

31. Over the course of the kickback scheme, SUBHA S. REDDY would pay a co-conspirator approximately \$5,800.00 for diagnostic laboratory testing services referrals. In exchange for the payments, SUBHA S. REDDY would receive referrals for diagnostic laboratory testing services to be billed to Medicare by HDI.

### **Overt Acts**

In furtherance of the conspiracy, and to accomplish its purposes and objects, at least one of the conspirators committed, or caused to be committed, in the Eastern District of Michigan, the following overt acts, among others:

32. On or about May 14, 2009, SUBHA S. REDDY paid a co-conspirator \$200.00 by check drawn from a HDI bank account in exchange for referrals for diagnostic laboratory testing services.

33. On or about July 5, 2010, SUBHA S. REDDY paid a co-conspirator \$200.00 by check drawn from a HDI bank account in exchange for referrals for diagnostic laboratory testing services.

34. On or about October 3, 2011, SUBHA S. REDDY paid a co-conspirator \$400.00 by check drawn from a HDI bank account in exchange for referrals for diagnostic laboratory testing services.

35. On or about January 18, 2012, SUBHA S. REDDY paid a co-conspirator \$400.00 by check drawn from a HDI bank account in exchange for referrals for diagnostic laboratory testing services.

All in violation of Title 18, United States Code, Section 371.

**COUNTS 10-15**  
**(18 U.S.C. §§ 1956(a)(1)(B)(i) and 2 – Money Laundering)**

36. Paragraphs 1 through 14 of the General Allegations section of this Indictment are re-alleged and incorporated by reference as though fully set forth herein.

37. On or about the dates specified as to each count below, in Oakland County, in the Eastern District of Michigan, and elsewhere, the defendant as specified below, aided and abetted by others, knowingly conducted and attempted to conduct a financial transaction affecting interstate and foreign commerce, which in fact involved the proceeds of specified unlawful activity, knowing that the property involved in the financial transaction represented the proceeds of some form of unlawful activity, and knowing that the transaction was designed in whole and

in part to conceal and disguise the nature, the location, the source, the ownership, and the control of the proceeds of specified unlawful activity:

Count	On or about Date	Financial Transaction
10	8/4/2009	Check #1310 from Health Diagnostics, Inc. National City bank account #XXXXXX7206 in the amount of \$6,800.00 to Neptune Medicals Charter One bank account #XXXXXX0998
11	10/23/2009	Check #3088 from Health Diagnostics, Inc. Chase bank account #XXXXXX1785 in the amount of \$8,200.00 to Neptune Medicals Charter One bank account #XXXXXX0998
12	10/4/2010	Check #1630 from Health Diagnostics, Inc. PNC bank account #XXXXXX8033 in the amount of \$9,685.00 to American Med & Surg Supplies, Inc. Charter One bank account #XXXXXX2157
13	10/4/2010	Check #1631 from Health Diagnostics, Inc. PNC bank account #XXXXXX8033 in the amount of \$9,600.00 to Neptune Medicals Charter One bank account #XXXXXX0998
14	11/4/2010	Check #3717 from Health Diagnostics, Inc. Chase bank account #XXXXXX1785 in the amount of \$9,200.00 to American Med & Surg Supplies, Inc. Charter One bank account #XXXXXX2157
15	11/4/2010	Check #3718 from Health Diagnostics, Inc. Chase bank account #XXXXXX1785 in the amount of \$8,600.00 to Neptune Medicals Charter One bank account #XXXXXX0998

In violation of Title 18, United States Code, Sections 1956(a)(1)(B)(i) and 2.

**CRIMINAL FORFEITURE**  
(18 U.S.C. § 982)

38. The allegations contained in Counts 1 through 15 of this Indictment are re-alleged and incorporated by reference as though fully set forth herein for the purpose of alleging forfeiture to the United States of America of any property, real or personal, obtained by SUBHA

S. REDDY by commission of the offense charged in Counts 1 through 15 pursuant to the provisions of Title 18, United States Code, Section 982(a)(7).

39. Pursuant to Title 18, United States Code, Section 982(a)(7), upon conviction of SUBHA S. REDDY for any of the offenses charged in Counts 1 through 9 of this Indictment, she shall forfeit to the United States any property, real or personal, that constitutes or is derived, directly or indirectly, from gross proceeds traceable to the commission of the health care fraud offense.

40. Pursuant to Title 18, United States Code, Section 982(a)(1), upon conviction of SUBHA S. REDDY for any of the offenses charged in Counts 10 through 15 of this Indictment, she shall forfeit to the United States any property, real or personal, involved in such offense, or property traceable to such offense.

41. Money Judgment: A sum of money equal to at least \$5,043,779.70 in United States currency, or such amount as is proved at trial in this matter, representing the total amount of proceeds obtained as a result of the violations of 18 U.S.C. §§ 1347, 287, and 371 and 18 U.S.C. § 1956(a)(1)(B)(i) and representing the total amount involved in the violations of as alleged in this Indictment.

42. Substitute Assets: If the property described above as being subject to forfeiture pursuant to Title 18, United States Code, Section 982(a)(7), as a result of any act or omission of the defendants:

- i. Cannot be located upon the exercise of due diligence;
- ii. Has been transferred or sold to, or deposited with, a third party;
- iii. Has been placed beyond the jurisdiction of the Court;
- iv. Has been substantially diminished in value; or

v. Has been commingled with other property that cannot be subdivided without difficulty;

it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p) as incorporated by 18 U.S.C. § 982(b) and/or 28 U.S.C. § 2461, to seek to forfeit any other property of SUBHA S. REDDY up to the listed value.

All pursuant to Title 18, United States Code, Section 982(a)(1) and (7).

THIS IS A TRUE BILL.

s/GRAND JURY FOREPERSON  
Grand Jury Foreperson

5/9/13

BARBARA L. MCQUADE  
United States Attorney

s/WAYNE F. PRATT  
WAYNE F. PRATT  
Chief, Health Care Fraud Unit  
Assistant United States Attorney  
211 W. Fort Street, Suite 2001  
Detroit, Michigan 48226  
(313) 226-2548  
[wayne.pratt@usdoj.gov](mailto:wayne.pratt@usdoj.gov)

s/GEJAA T. GOBENA  
GEJAA T. GOBENA  
Deputy Chief  
Criminal Division, Fraud Section  
U.S. Department of Justice  
1400 New York Avenue, N.W., Third Floor  
Washington, D.C. 20005  
(202) 305-1310, (313) 226-0831  
[gejaa.gobena@usdoj.gov](mailto:gejaa.gobena@usdoj.gov)

s/KATIE R. FINK  
KATIE R. FINK  
Special Trial Attorney  
Criminal Division, Fraud Section  
U.S. Department of Justice  
1400 New York Avenue, N.W., Third Floor  
Washington, D.C. 20005  
(202) 957-2976, (313) 226-0295  
[katie.fink@usdoj.gov](mailto:katie.fink@usdoj.gov)