

UNITED STATES DISTRICT COURT  
DISTRICT OF NEW JERSEY

ORIGINAL FILED

DEC - 9 2011

MADELINE COX ARLEO  
U.S. MAG. JUDGE

UNITED STATES OF AMERICA : Hon. Madeline Cox Arleo  
v. : Magistrate No. 11-8233  
DAISY DEGUZMAN : **CRIMINAL COMPLAINT**

I, the undersigned complainant, being duly sworn, state the following is true and correct to the best of my knowledge and belief:

SEE ATTACHMENT A

I further state that I am a Special Agent with the Department of Health and Human Services, Office of the Inspector General, and that this Complaint is based on the following facts:

SEE ATTACHMENT B

continued on the attached pages and made a part hereof.

  
John Croes, Special Agent  
Department of Health and Human Services  
Office of the Inspector General

Sworn to before me and subscribed in my presence,  
December 9, 2011 at Newark, New Jersey

HONORABLE MADELINE COX ARLEO  
UNITED STATES MAGISTRATE JUDGE

\_\_\_\_\_  
Signature of Judicial Officer

## **ATTACHMENT A**

From at least in or about 2010 through at least in or about December 2011, in the District of New Jersey, and elsewhere, defendant

### **DAISY DEGUZMAN**

did knowingly and willfully solicit and receive remuneration, directly and indirectly, overtly and covertly, in cash and in kind, that is, a kickback, from Orange Community MRI in return for referring patients to Orange Community MRI for the furnishing or arranging for the furnishing of items and services for which payment may be made in whole or in part under a Federal health care program, as described in Attachment B below.

In violation of Title 42, United States Code, Section 1320a-7b(b)(1)(A), and Title 18, United States Code, Section 2.

## **ATTACHMENT B**

I, John Croes, am a Special Agent with the Department of Health and Human Services, Office of the Inspector General (“HHS-OIG”). I have knowledge of the facts set forth herein through my personal participation in this investigation and through oral and written reports from other federal agents or other law enforcement officers. Where statements of others are set forth herein, these statements are related in substance and in part. Since this Criminal Complaint is being submitted for a limited purpose, I have not set forth every fact that I know or other law enforcement officers know concerning this investigation. I have only set forth those facts that I believe are sufficient to show probable cause exists to believe that the defendant has committed the offense set forth in Attachment A. Where I assert that an event took place on a particular date, I am asserting that it took place on or about the date alleged.

1. At all times relevant to this Complaint:
  - a. Defendant DAISY DEGUZMAN was a physician licensed in New Jersey practicing internal medicine. DEGUZMAN operated an office at 500 Orange Street in Newark, New Jersey.
  - b. Orange Community MRI (“OCM”) was located at 345 Henry Street, Suite 102, Orange, New Jersey. OCM provided services to patients that included magnetic resonance imaging (“MRIs”), ultrasound imaging (“Ultrasounds”), echocardiograms (“Echos”), computed axial tomographies (“CAT Scans” or “CT Scans”), and dual-emission X-ray absorptiometries (“DEXA Scans”) (collectively, the “diagnostic tests”).
  - c. There was a Cooperating Witness (the “CW”) who held himself out to be

an individual acting on behalf of OCM. Starting from in or about late September 2011 to December 2011, the CW did so at the direction and under the supervision of HHS-OIG.

2. The Medicare Program (“Medicare”) is a federal program that provides free or below-cost health care benefits to certain individuals, primarily the elderly, blind, and disabled. Medicare is a “Federal health care program” as defined in Title 42, United States Code, Section 1320a-7b(f). Individuals who receive benefits under Medicare are commonly referred to as “beneficiaries.”

3. The Medicare Part B program is a federally funded supplemental insurance program that provides supplementary Medicare insurance benefits for individuals aged sixty-five or older, and certain individuals who are disabled. The Medicare Part B program pays for various medical services and diagnostic testing, including MRIs, Ultrasounds, Echos, CT Scans, and DEXA Scans for beneficiaries.

4. The Medicaid Program (“Medicaid”) is a jointly funded, federal-state health insurance program that provides certain health benefits to the disabled, as well as individuals and families with low incomes and resources. The federal involvement in Medicaid is largely limited to providing matching funds and ensuring that states comply with minimum standards in the administration of the program. Medicaid is a “Federal health care program” as defined in Title 42, United States Code, Section 1320a-7b(f). Individuals who receive benefits under Medicaid are commonly referred to as “beneficiaries.”

5. The federal Medicaid statute sets forth the minimum requirements for state Medicaid programs to qualify for federal funding, which is called federal financial participation. 42 U.S.C. §§ 1396 et seq. In New Jersey, the New Jersey Medical Assistance Program is

administered by the New Jersey Department of Human Services. Under New Jersey law, Medicaid pays for certain medical services and diagnostic testing, including MRIs, Ultrasounds, Echos, CAT Scans, and DEXA Scans for beneficiaries.

6. At all times relevant to this Complaint, OCM was a Medicare- and Medicaid-approved provider of, among other things, diagnostic testing, including MRIs, Ultrasounds, Echos, CAT Scans, and DEXA Scans.

#### The Kickback Scheme

7. Starting at least in or about 2010, individuals acting on behalf of OCM made cash payments to certain New Jersey health care practitioners, including DEGUZMAN, in exchange for referring patients to OCM for diagnostic tests.

8. After the end of each calendar month, individuals acting on behalf of OCM, including CW, printed OCM patient reports that included, among other information, dates of service, patient name, the referring health care practitioner, the kind of medical insurance to be billed, and the diagnostic tests performed (the "Kickback Reports"). There was a separate Kickback Report printed for OCM patients who received MRIs, Ultrasounds, Echos, CAT Scans, and DEXA scans. The Kickback Reports were then used to tally the number of OCM patient diagnostic tests referred by each doctor and the type of insurance used, and the results of these tallies were used to determine the amount of the kickback payment paid by OCM to the health care provider. In the event the Ultrasound Kickback Report indicated that OCM performed an Ultrasound on both the right and left portions of a patient (e.g., right venous doppler and left venous doppler), the right and left Ultrasounds counted as only one diagnostic test for the purpose of calculating the kickback payment.

9. Pursuant to DEGUZMAN's agreement with OCM, DEGUZMAN was to receive payment from OCM for each Medicare or Medicaid beneficiary MRI or CAT Scan referred to OCM. Pursuant to the same agreement, DEGUZMAN also was to receive payment from OCM for certain privately-insured patient MRI or CAT Scans referred to OCM. In the event a patient referred to OCM paid for diagnostic tests directly and not through Medicare, Medicaid, or an insurance plan (i.e., the patient "self-paid" for the tests), then DEGUZMAN did not receive any payment.

10. According to the MRI Kickback Report, for September 2011, DEGUZMAN referred a total of 19 MRIs to OCM; 16 of those 19 tests were for Medicare or Medicaid beneficiaries. According to the CAT Scan Kickback Report, for September 2011, DEGUZMAN referred a total of 7 CAT Scans to OCM; all 7 of those tests were for Medicare or Medicaid beneficiaries.

11. On or about October 11, 2011, DEGUZMAN met with CW at DEGUZMAN's office located at 500 Orange Street in Newark, New Jersey. During this meeting, DEGUZMAN accepted from CW a white envelope containing \$1,700 in cash, which included payments for the 16 MRIs referred to OCM and performed on Medicare or Medicaid beneficiaries, as well as the 7 CAT Scans referred to OCM and performed on Medicare or Medicaid beneficiaries during September 2011.

12. During this meeting, DEGUZMAN replied "[o]h, ok" when she was told by CW, in sum and substance, that the envelope CW handed her contained \$1,700.

13. According to the MRI Kickback Report, for October 2011, DEGUZMAN referred a total of 13 MRIs to OCM; 12 of those 13 tests were for Medicare or Medicaid beneficiaries.

According to the CAT Scan Kickback Report for October 2011, DEGUZMAN referred a total of 4 CAT Scans to OCM; 3 of those 4 tests were for Medicare or Medicaid beneficiaries.

14. On or about November 17, 2011, DEGUZMAN met with CW at DEGUZMAN's office located at 500 Orange Street in Newark, New Jersey. During this meeting, DEGUZMAN accepted from CW a white envelope containing \$1,130 in cash, which included payments for the 12 MRIs referred to OCM and performed on Medicare or Medicaid beneficiaries, as well as 3 CAT Scans referred to OCM and performed on Medicare or Medicaid beneficiaries during October 2011.

15. During this meeting, DEGUZMAN said "[o]k" when DEGUZMAN was told by CW, in sum and substance, that although DEGUZMAN was owed \$1,135, CW only had \$1,130 to give to DEGUZMAN. DEGUZMAN and CW then discussed the number of MRIs and CAT Scans that DEGUZMAN had referred and for which DEGUZMAN was being paid. DEGUZMAN then denied to CW that DEGUZMAN ever sent patients to a OCM competitor, stating that "I don't know why they [referring to the OCM competitor] gave me that, I never send patients."

16. According to the MRI Kickback Report, for November 2011, DEGUZMAN referred at total of 20 MRIs to OCM; at least 17 of those 20 tests were for Medicare or Medicaid beneficiaries. According to the CAT Scan Kickback Report, for November 2011, DEGUZMAN referred a total of 3 CAT Scans to OCM; all 3 of those tests were for Medicare or Medicaid beneficiaries.

17. On or about December 6, 2011, DEGUZMAN met with CW at DEGUZMAN's

office located at 500 Orange Street in Newark, New Jersey. During this meeting, DEGUZMAN accepted from CW \$1,000 in cash, which included payments for the 17 MRIs referred to OCM and performed on Medicare or Medicaid beneficiaries, as well as the 3 CAT Scans referred to OCM and performed on Medicare or Medicaid beneficiaries during November 2011.

18. During this meeting, DEGUZMAN said “[n]o problem” after CW advised her, in sum and substance, that although DEGUZMAN was owed \$1,600, CW only had \$1,000 to give to DEGUZMAN at the time. DEGUZMAN later explained to CW, in sum and substance, that insurance payment rates were decreasing, and DEGUZMAN added “[y]eah. Did you see that? Medicare . . . MRI, all of that is decreased.” DEGUZMAN then counted out the \$1,000 that had been handed to her by CW; while DEGUZMAN was counting the money, she stated “[s]ix. Seven. Eight. Nine. Ten. It’s alright.”