

NEWS RELEASE



OFFICE OF THE UNITED STATES ATTORNEY SOUTHERN DISTRICT OF CALIFORNIA

San Diego, California

***United States Attorney
Laura E. Duffy***

For Further Information, Contact: Assistant U.S. Attorney Shireen M. Becker (619) 546-6693

For Immediate Release

OWNER OF MEDICAL SUPPLY COMPANY SENTENCED TO PRISON FOR HIS ROLE IN MILLION-DOLLAR POWER WHEELCHAIR SCAMS

NEWS RELEASE SUMMARY - June 24, 2013

United States Attorney Laura E. Duffy announced that Jose Melendez, the owner and operator of Oceanside Medical Services, was sentenced to 18 months in prison today for his involvement in a health care fraud conspiracy that resulted in over \$1 million in false claims to the Medicare trust fund. Melendez was also ordered to pay \$593,429.81 in restitution, and will be on supervised release for three years after completing his custodial sentence.

The scheme involved the sale of fraudulent power wheelchair prescriptions in order to fraudulently obtain Medicare reimbursement for power wheelchairs that patients did not need and, in some cases, did not want. Two of Melendez's co-conspirators, Dr. Irving Schwartz and Gloria Hernandez, traveled to El Centro, California in search of elderly Medicare patients. Dr. Schwartz wrote fraudulent prescriptions for the patients to obtain power wheelchairs, even though the patients did not need the equipment and could walk without assistance, and collected a \$300 cash kickback in exchange for each power wheelchair prescription. Hernandez then sold the fraudulent power wheelchair

prescriptions to Melendez, charging him \$1,000 per fraudulent prescription.

Melendez, in turn, sold some of the power wheelchair prescriptions to other co-conspirators, charging an additional mark-up on each prescription. As the last step in the scheme, Melendez and his co-conspirators submitted the fraudulent prescriptions to Medicare for reimbursement, billing up to \$5,865 for each power wheelchair. All told, Dr. Schwartz wrote at least 186 fraudulent power wheelchair prescriptions for Medicare beneficiaries in exchange for more than \$55,000 in bribes and kickbacks. Melendez, the owner and operator of Oceanside Medical Services, purchased these 186 fraudulent prescriptions and used them to submit over \$830,000 in false claims to Medicare. Co-conspirators Aristeo and Laura Tavares, who were charged in a separate case, submitted more than \$250,000 in false Medicare claims based on Dr. Schwartz's fraudulent prescriptions.

United States Attorney Duffy reiterated that combating health care fraud is a top priority of the Department of Justice. "Anyone attempting to defraud Medicare – whether a doctor, medical equipment supplier, or patient recruiter – will be prosecuted to the fullest extent of the law, and should understand that the prognosis includes a substantial prison sentence, like the one imposed today." United States Attorney Duffy thanked the Federal Bureau of Investigation and Department of Health and Human Services, Office of Inspector General, for their diligence and perseverance in breaking up this health care fraud conspiracy.

Dr. Schwartz is scheduled to be sentenced on August 19, 2013, before Judge Huff. On March 27, 2013, Aristeo and Laura Tavares were sentenced to time served (1 day in custody), and ordered to pay \$182,860.77 in restitution to the Medicare trust fund. Hernandez was sentenced today to 6 months home confinement, and ordered to pay \$160,000 in restitution to Medicare.

DEFENDANT

CRIMINAL CASE NO. 12cr2599-H

Jose Melendez

SUMMARY OF CHARGES

Count 1: Conspiracy to Pay and Receive Health Care Kickbacks and Defraud -Title 18, United States Code, Section 371; Maximum Penalty: Five years in custody; \$250,000 fine; 3 year of supervised release; and mandatory restitution.

INVESTIGATING AGENCIES

