

**UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY**

UNITED STATES OF AMERICA	:	Hon.
	:	
v.	:	Criminal No. 20-
	:	
KEVIN M. DICKAU	:	18 U.S.C. § 1349

I N F O R M A T I O N

The defendant having waived in open court prosecution by Indictment, the United States Attorney for the District of New Jersey charges:

(Conspiracy to Commit Health Care Fraud)

1. Unless otherwise indicated, at all times relevant to this Information:
 - a. Defendant KEVIN DICKAU (“DICKAU”) resided in Los Angeles, California.
 - b. Co-conspirator John C. Devlin (“Devlin”), charged in a separate Information, resided in Los Angeles, California.
 - c. Co-conspirator Seth Logan Welsh (“Welsh”), charged in a separate Information, resided in Forest Hill, Maryland.
 - d. Co-conspirator Peter J. Costas (“Costas”), charged in a separate Information, resided in Red Bank, New Jersey and was a recruiter for the scheme.
 - e. “Patient-1” resided in Fanwood, New Jersey and suffered from heroin addiction.

f. “Marketing Company-1” was a marketing company incorporated in California and was owned and operated at various times by DICKAU, Welsh, Devlin, and others.

g. “Drug Treatment Facilities” or “Facilities” were substance abuse treatment facilities that provided services to assist patients in overcoming their addictions, including detoxification services, partial hospitalization programs, intensive outpatient programs, and outpatient programs.

Federal Guidelines for Substance Abuse Treatment

h. The U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration, Center for Substance Abuse Treatment (“SAMHSA”), was tasked with establishing and implementing a comprehensive program to improve treatment and related services to individuals concerning substance abuse and protecting the rights of substance abusers. 42 U.S.C. § 290aa.

i. “Substance abuse” was defined generally as the abuse of alcohol or other drugs. “Treatment” meant the “care of a patient suffering from a substance use disorder, a condition which is identified as having been caused by the substance abuse disorder, or both, in order to reduce or eliminate the adverse effects upon the patient,” as set forth in 42 C.F.R. § 2.11.

j. Substance abuse treatment facilities provided services to assist patients in overcoming their addictions, including Detoxification Services (“Detox”), Partial Hospitalization Programs (“PHPs”), Intensive Outpatient Programs (“IOPs”)

and Outpatient Programs (“OPs”). Services and testing at Detox centers, PHPs, IOPs, or OPs could be billed to health care benefit programs when they were medically necessary and provided by, or overseen by, licensed medical professionals.

k. Insurance coverage for substance abuse treatment and testing was available through health plans offered directly by private insurance companies, in addition to government-funded insurance providers. The private health insurance providers were “health care benefit programs,” as defined by 18 U.S.C. § 24(b); that is, “public or private plans or contracts, affecting commerce, under which any medical benefit, item or service is provided to any individual.”

The Conspiracy

2. From at least as early as in or about December 2017 through in or about April 2019, in the District of New Jersey and elsewhere, defendant

KEVIN M. DICKAU

did knowingly and intentionally conspire and agree with others to knowingly and willfully execute, and attempt to execute, a scheme and artifice to defraud a health care benefit program, as defined by 18 U.S.C. § 24(b), and to obtain, by means of false and fraudulent pretenses, representations, and promises, money owned by, and under the custody and control of, a health care benefit program, in connection with the delivery of and payment for health care benefits, items, and services, contrary to Title 18, United States Code, Section 1347.

Object of the Conspiracy

3. It was the object of the conspiracy for DICKAU, Welsh, Devlin, Costas, and others, to unlawfully profit by offering to bribe and bribing individuals addicted to controlled substances to induce them to attend drug rehabilitation at Drug Treatment Facilities, which billed health care benefit programs for medically unnecessary services and paid referral fees to DICKAU, Welsh, Devlin, and others for each patient they referred.

Manner and Means of the Conspiracy

4. DICKAU helped to orchestrate a patient recruitment and brokering scheme in and around New Jersey, Maryland, California, and elsewhere, that involved bribing individuals addicted to narcotics to enter into Drug Treatment Facilities for the purpose of receiving referral fees from those Facilities. The scheme worked as follows.

5. DICKAU, Welsh, and Devlin at various times owned and operated Marketing Company-1, which maintained contractual relationships with the Drug Treatment Facilities around the country, including Detox Centers, PHPs, IOPs, and OPs.

6. The contracts between Marketing Company-1 and the Drug Treatment Facilities called for the Drug Treatment Facilities to pay fees to Marketing Company-1 based on several factors, including: (i) the number of individuals referred by Marketing Company-1 or its recruiters; (ii) the duration of the individuals' stay in the Drug Treatment Facility; (iii) the level

of purported treatment received at the Drug Treatment Facility; and (iv) the type of coverage provided by patients' health insurances.

7. Marketing Company-1 engaged a nationwide network of recruiters, including Costas, who were instructed by DICKAU, Welsh, and Devlin to identify individuals who: (i) were covered under a health care benefit program, as defined by 18 U.S.C. § 24(b); and (ii) were addicted to heroin or another drug (collectively, "Patients").

8. DICKAU, Welsh, and Devlin knew that, to convince Patients to travel to and enroll in the Facilities when they otherwise would not have, Marketing Company-1's recruiters, including Costas, on numerous occasions offered to bribe and did bribe Patients (the "Patient Bribes"), including Patients in New Jersey. The Patient Bribes often were several thousand dollars.

9. Marketing Company-1 and its recruiters, including Costas, directed Patients to Facilities with which Marketing Company-1 had contractual relationships. This was so even though some Facilities provided ineffective drug treatment or, in some cases, actually fostered drug use instead of drug treatment.

10. Once the Patients enrolled at a Facility, the scheme required that the Patient remain there for at least 10 days—regardless of the quality of care—because that time period ensured that the Facility generated sufficient billing to the Patient's health care benefit program such that the Facility could profitably pay a referral payment to Marketing Company-1 (the "Referral Payment"). To advance the scheme, Costas specifically instructed Patients to stay at the Facilities for at least 10 days

without regard to whether the substance abuse treatment was medically necessary or effective.

11. The amount of the Referral Payment from the Facilities to Marketing Company-1 varied depending on several factors including: how long the Patients remained at the Facilities; the level of purported treatment; and the Patients' health insurance coverage. Facilities paid Marketing Company-1 larger Referral Payments the longer the Patient remained at the Facility after 10 days. Typically, the Referral Payment was between approximately \$5,000 and \$10,000 per Patient.

12. At the direction of DICKAU, Welsh, and Devlin, Marketing Company-1, in turn, paid a percentage of the Referral Payment to the recruiters, including Costas. Typically, recruiters like Costas received approximately 50% of the Referral Payment.

13. At the direction of DICKAU, Welsh, and Devlin, Marketing Company-1, through its recruiters, including Costas, often steered Patients to different Facilities month after month to generate multiple Referral Payments without regard to whether the substance abuse treatment was medically necessary or effective. For example, in a conversation over a social media platform, Patient-1 told Costas that if Costas made good on his promise to pay Patient-1 a Patient Bribe, Patient-1 would enroll in additional Facilities to trigger additional Referral Payments and Patient Bribes: “[J]ust get us [sic] grab the dough and put us in another place. . . . Get paid some more feel me. . . . I’ll keep this up all year wit[h] you. As long as you do us right.”

When Patient-1 expressed doubt about whether Costas would pay the Patient Bribe, Costas responded, “Don’t worry. . . . I do this with SO MANY PPL [people].”

14. DICKAU’s role in the conspiracy caused losses to health care benefit programs of over \$1,500,000.

In violation of Title 18, United States Code, Section 1349.

FORFEITURE ALLEGATION

1. The allegations contained in Paragraphs 1 through 14 of this Information are incorporated here for the purpose of alleging forfeiture, pursuant to 18 U.S.C. § 982(a)(7).

2. Upon conviction of the offense of conspiracy to commit a Federal health care fraud offense, contrary to 18 U.S.C. § 1347, in violation of 18 U.S.C. § 1349, as alleged in this Information, DICKAU shall forfeit to the United States, pursuant to 18 U.S.C. § 982(a)(7), all property, real and personal, obtained by the defendant that constitutes or is derived, directly and indirectly, from gross proceeds traceable to the commission of such offense.

Substitute Assets Provision

3. If any of the above-described forfeitable property, as a result of any act or omission of the defendant:

- (a) cannot be located upon the exercise of due diligence;
- (b) has been transferred or sold to, or deposited with, a third person;
- (c) has been placed beyond the jurisdiction of the Court;
- (d) has been substantially diminished in value; or
- (e) has been commingled with other property which cannot be subdivided without difficulty;

the United States shall be entitled to forfeiture of substitute property, pursuant to 21 U.S.C. § 853(p), as incorporated by 18 U.S.C. § 982(b).



CRAIG CARPENITO
United States Attorney

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v.

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INFORMATION FOR

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