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CLERK U.S. DISTRICT COURT  
CENTRAL DISTRICT OF CALIF.  
SANTA ANA, CALIF.

FILED

UNDER SEAL

UNITED STATES DISTRICT COURT  
FOR THE CENTRAL DISTRICT OF CALIFORNIA

SOUTHERN DIVISION

SACR16-00014

UNITED STATES OF AMERICA,  
  
Plaintiff,  
  
v.  
  
LINDA MARTIN,  
  
Defendant.

SA CR No. 16-

I N F O R M A T I O N

[18 U.S.C. § 371: Conspiracy]

[UNDER SEAL]

The United States Attorney charges:

[18 U.S.C. § 371]

A. RELEVANT PERSONS AND ENTITIES

At all times relevant to this Information:

1. Healthsmart Pacific Inc., doing business as Pacific Hospital of Long Beach ("Pacific Hospital") was a hospital located in Long Beach, California, specializing in surgeries, particularly spinal and orthopedic surgeries. From at least in or around 1997 to October 2013, Pacific Hospital was owned and/or operated by Michael D. Drobot ("Drobot") and other co-conspirators.

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1           2.     From at least September 2010 to at least February  
2 2013, defendant LINDA MARTIN ("MARTIN") was a marketer for  
3 Pacific Hospital.

4           3.     International Implants LLC ("I2") was a limited  
5 liability company owned and operated by Drobot, that was located  
6 in Newport Beach, California. I2 purchased implantable medical  
7 devices ("hardware") for use in spinal surgeries from original  
8 manufacturers and sold them to hospitals, particularly Pacific  
9 Hospital.

10 B.     RELEVANT LEGISLATION

11           4.     The California Workers' Compensation System ("CWCS")  
12 was a system created by California law to provide insurance  
13 covering treatment of injury or illness suffered by individuals  
14 in the course of their employment. Under the CWCS, employers  
15 were required to purchase workers' compensation insurance  
16 policies from insurance carriers to cover their employees. When  
17 an employee suffered a covered injury or illness and received  
18 medical services, the medical service provider submitted a claim  
19 for payment to the relevant insurance carrier, which then paid  
20 the claim. Claims were submitted to and paid by the insurance  
21 carriers either by mail or electronically. The CWCS was  
22 governed by various California laws and regulations.

23           5.     California law, including but not limited to the  
24 California Business and Professions Code, the California  
25 Insurance Code, and the California Labor Code, prohibited the  
26 offering, delivering, soliciting, or receiving of anything of  
27 value in return for referring a patient for medical services.

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1           6.     Before January 2013, California law allowed a hospital  
2 to bill the cost of medical hardware separately from the other  
3 costs of a surgery, such as the hospital's and surgeon's  
4 services, the reimbursement rates of which were set by a fee  
5 schedule. The hardware was considered a "pass-through" cost and  
6 billing was limited to \$250 over what the hospital paid for the  
7 hardware.

8           7.     The Federal Employees' Compensation Act ("FECA")  
9 provided benefits to civilian employees of the United States,  
10 including United States Postal Service employees, for medical  
11 expenses and wage-loss disability due to a traumatic injury or  
12 occupational disease sustained while working as a federal  
13 employee. Benefits available to injured employees included  
14 rehabilitation, medical, surgical, hospital, pharmaceutical, and  
15 supplies for treatment of an injury. The Department of Labor  
16 ("DOL") - Office of Workers' Compensation Programs ("OWCP") was  
17 the governmental body responsible for administering the FECA.  
18 When a federal employee suffered a covered injury or illness and  
19 received medical services, the medical service provider  
20 submitted a claim for payment by mail or electronically to  
21 Affiliated Computer Services ("ACS"), located in London,  
22 Kentucky, which was contracted with the DOL to handle such  
23 claims. Upon approval of the claim, ACS sent payment by mail or  
24 electronic funds transfer from the U.S. Treasury in  
25 Philadelphia, Pennsylvania to the medical service provider.

26           8.     Federal law prohibited the offering, delivering,  
27 soliciting, or receiving of anything of value in return for  
28

1 referring a patient for medical services paid for by a federal  
2 health care benefit program.

3 C. OBJECTS OF THE CONSPIRACY

4 9. Beginning in or around September 2010, and continuing  
5 to in or around February 2013, in Orange and Los Angeles  
6 Counties, within the Central District of California, and  
7 elsewhere, defendant MARTIN, together with others known and  
8 unknown to the United States Attorney, knowingly combined,  
9 conspired, and agreed to commit the following offenses against  
10 the United States: Mail Fraud and Honest Services Mail Fraud,  
11 in violation of Title 18, United States Code, Sections 1341 and  
12 1346; Use of an Interstate Facility in Aid of Racketeering, in  
13 violation of Title 18, United States Code, Section 1952(a)(3);  
14 Monetary Transactions in Property Derived from Specified  
15 Unlawful Activity, in violation of Title 18, United States Code,  
16 Section 1957; and Payment or Receipt of Kickbacks in Connection  
17 with a Federal Health Care Program, in violation of Title 42,  
18 United States Code, Section 1320a-7b(b)(2)(A).

19 D. MANNER AND MEANS OF THE CONSPIRACY

20 10. The objects of the conspiracy were to be carried out,  
21 and were carried out, in the following ways, among others:

22 a. Drobot and other co-conspirators offered to pay  
23 kickbacks to doctors, chiropractors, workers' compensation and  
24 personal injury attorneys, marketers, and others for referring  
25 workers' compensation patients to Pacific Hospital for spinal  
26 surgeries and other medical services, to be paid primarily  
27 through the CWCS and the FECA.

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1           b.. Influenced by the promise of kickbacks, doctors,  
2 chiropractors, workers' compensation and personal injury  
3 attorneys, marketers, and others referred patients insured  
4 through the CWCS and the FECA to Pacific Hospital for spinal  
5 surgeries, other types of surgeries, and other medical services.  
6 The workers' compensation patients were not informed that the  
7 medical professionals had been offered kickbacks to induce them  
8 to refer the surgeries and other medical services to Pacific  
9 Hospital.

10           c. The surgeries and other medical services were  
11 performed on the referred workers' compensation patients at  
12 Pacific Hospital.

13           d. I2, or another distributor who was a co-  
14 conspirator, purchased medical hardware from a manufacturer and  
15 sold it to Pacific Hospital for use in spinal surgeries.

16           e. As defendant MARTIN and the other co-conspirators  
17 knew and intended, and as was reasonably foreseeable to them, in  
18 submitting claims for payment, Pacific Hospital made materially  
19 false and misleading statements to, and concealed material  
20 information from, SCIF and other workers' compensation insurance  
21 carriers, including that Pacific Hospital did not disclose to  
22 the insurance carriers that it had offered or paid kickbacks for  
23 the referral of the surgeries and other medical services for  
24 which it was submitting claims.

25           f. The insurance carriers paid Pacific Hospital's  
26 claims, by mail or electronically.

27           g. Defendant MARTIN and other co-conspirators  
28 solicited and caused others to pay kickbacks to the doctors,

1 chiropractors, workers' compensation and personal injury  
2 attorneys, other marketers, and others who had referred patients  
3 to Pacific Hospital for surgeries and other medical services.  
4 The kickback recipients included, among others, various  
5 surgeons, other doctors, chiropractors, other marketers, and  
6 attorneys.

7           h. To conceal the nature of the kickback payments  
8 from both workers' compensation insurance carriers and patients,  
9 Drobot and his co-conspirators, through one of the companies  
10 Drobot owned and/or operated, entered into bogus contracts with  
11 the doctors, chiropractors, workers' compensation and personal  
12 injury attorneys, marketers, and others. The services discussed  
13 in those contracts were provided at highly inflated prices, if  
14 they were provided at all. In reality, the compensation paid  
15 was based on the number and type of surgeries and other medical  
16 services referred to Pacific Hospital. Defendant MARTIN helped  
17 Drobot and other co-conspirators to establish and maintain  
18 kickback relationships disguised under various agreements.

19           i. For example, under a lease agreement, PSPM or  
20 Pacific Hospital would lease or sublease office space from a  
21 doctor, but use little or none of the space for their own  
22 activities. Similarly, under a management agreement, PSPM  
23 assumed financial responsibility for a doctor's office expenses  
24 and paid a doctor a fixed percentage of the total amounts  
25 collected from insurance for his services, in return for the  
26 right to keep the rest of those insurance proceeds as its  
27 purported management fee. However, PSPM typically lost money on  
28 these arrangements, because the amounts it paid the doctors were

1 more than the net insurance proceeds. In reality, the payments  
2 made to doctors under these agreements were rewards for  
3 referring patients to Pacific Hospital.

4 j. Defendant MARTIN and other co-conspirators kept  
5 records of the number of surgeries and other medical services  
6 performed at Pacific Hospital due to referrals from the kickback  
7 recipients, as well as amounts paid to the kickback recipients  
8 for those referrals. Periodically, Drobot and other co-  
9 conspirators amended the bogus contracts with the kickback  
10 recipients to increase or decrease the amount of agreed  
11 compensation described in the contracts, in order to match the  
12 amount of kickbacks paid or promised in return for referrals.

13 E. EFFECTS OF THE CONSPIRACY

14 11. Had SCIF and the other workers' compensation insurance  
15 carriers known the true facts regarding the payment of kickbacks  
16 for the referral of workers' compensation patients for surgeries  
17 and other medical services performed at Pacific Hospital, they  
18 would not have paid the claims or would have paid a lesser  
19 amount.

20 12. From in or around September 2010 to in or around  
21 February 2013, Pacific Hospital billed workers' compensation  
22 insurance carriers approximately \$255 million in claims for  
23 spinal surgeries that were the result of the payment of a  
24 kickback; and defendant MARTIN or other co-conspirators paid  
25 kickback recipients between approximately \$9.5 million and \$25  
26 million in kickbacks relating to those claims.

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1 F. OVERT ACTS

2 13. On or about the following dates, in furtherance of the  
3 conspiracy and to accomplish the objects of the conspiracy,  
4 defendant MARTIN and other co-conspirators known and unknown to  
5 the United States Attorney, committed various overt acts within  
6 the Central District of California, including, but not limited  
7 to, the following:

8 Overt Act No. 1: On or about September 21, 2010,  
9 defendant MARTIN, on behalf of her company Orchid Medical  
10 Management, Inc. ("Orchid"), and Attorney A, on behalf of  
11 HealthSmart Corporate, entered into a contract under which  
12 HealthSmart Corporate would pay Orchid \$12,500 per month for  
13 consulting and business development services.

14 Overt Act No. 2: On or about December 15, 2010,  
15 defendant MARTIN sent to Drobot an email offering to introduce  
16 him to Chiropractor A, who was willing to enter into a  
17 management agreement with Drobot and refer patients to doctors  
18 chosen by Drobot, and also reporting that Doctor A had scheduled  
19 a spine surgery at Pacific Hospital.

20 Overt Act No. 3: On or about December 17, 2010,  
21 defendant MARTIN sent to Drobot an email offering to introduce  
22 him to Physical Therapist A, who managed surgeons' practices and  
23 who was willing to refer patients to Pacific Hospital for  
24 surgeries in return for payments.

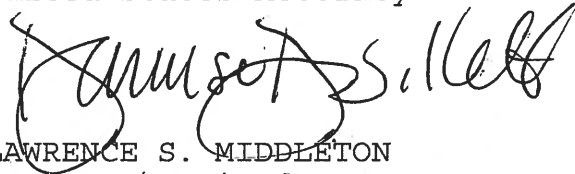
25 Overt Act No. 4: On or about April 12, 2011, defendant  
26 sent to Attorney A an email forwarding a list of patients  
27 referred to Pacific Hospital by Doctor B, and suggesting that  
28 Drobot switch from paying doctors in advance for surgery



1 referrals to paying them only after they provided documentation  
2 that the referral took place.

3 Overt Act No. 5: On or about May 25, 2011, Drobot  
4 increased defendant MARTIN's monthly salary for her marketing  
5 services from \$12,500 per month to \$15,000 per month.

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7 EILEEN M. DECKER  
United States Attorney

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9  
10 LAWRENCE S. MIDDLETON  
Assistant United States Attorney  
Chief, Criminal Division

11  
12 DENNISE D. WILLETT  
Assistant United States Attorney  
Chief, Santa Ana Branch Office

13  
14 JOSHUA M. ROBBINS  
Assistant United States Attorney

15  
16 SCOTT D. TENLEY  
Assistant United States Attorney

17  
18 ASHWIN JANAKIRAM  
Special Assistant U.S. Attorney