

January 28, 2016
For Immediate Release

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13 New Indictments Announced in Second Wave of Operation Targeting Massive Patient Referral Scam

Scam Resulted in Millions of Dollars of Fraudulent Insurance Claims

San Diego County District Attorney [Bonnie Dumanis](#) announced 13 new indictments today against defendants in one of the largest workers' compensation health care insurance bribery schemes ever uncovered in San Diego County. The defendants include a radiologist, a pain management physician, two chiropractors, a medical equipment provider, a medical clinic administrator and a medical marketer. Eight defendants, including doctors and their associates were indicted in connection with the same bribery scheme in November by the U.S. Attorney's Office.

The charges in this case are the result of Operation Backlash, an extensive FBI-led undercover investigation that revealed a widespread kickback scheme, including attorneys, doctors and medical providers who referred patients for health services in exchange for money. The defendants paid kickback payments to the owners and operators of chiropractic clinics in San Diego, Escondido and Calexico, in exchange for the patient referrals. A grand jury returned indictments on charges involving approximately \$450,000 in kickback payments, resulting in millions of dollars in fraudulent workers' compensation insurance claims.

The sheer scale of this fraud makes it one of the largest insurance bribery schemes in workers' compensation ever uncovered in San Diego County.

"When law enforcement became aware of the scam, we began following the trail of dirty money and it took us in many different directions," DA Dumanis said. "The circle of criminal conduct continues to widen with today's charges, and we expect additional indictments and arrests in the future."

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Getting paid kickbacks to refer patients for medical services is illegal. It creates an underground market where patients are bought and sold. Kickbacks also drive up the cost of workers comp insurance for law-abiding businesses.

Over the past year, staff and attorneys in the District Attorney's Insurance Fraud Division have been working in tandem with the lead investigating agency in this case, the FBI and the U.S. Attorney's Office in San Diego. As part of the operation, some Deputy DA's have been cross-designated as Assistant U.S. Attorneys.

Yesterday, law enforcement fanned out across three counties in a sweeping, early morning take down of more players. Dozens of District Attorney Investigators joined law enforcement in making arrests and serving search warrants at seven locations.

As of this afternoon, nine defendants were arrested.

Operation Backlash was first announced in November when the initial round of federal indictments was handed down. San Diego chiropractor Steven J. Rigler and San Diego workers' compensation attorney Sean O'Keefe previously pleaded guilty to federal charges.

In addition to today's state charges, the U.S. Attorney's Office announced federal indictments against three additional defendants. They include patient recruiters, Fermin Iglesias, Carlos Arguello, Miguel Morales and four corporations. The corporations are Providence Scheduling, Inc., Medex Solutions, Inc., Prime Holdings International, Inc. and Meridian Medical Resources, Inc., doing business as Meridian Rehab Care.

The three federal defendants are accused of recruiting individuals to file workers' compensation claims resulting from an on-the-job injury. The defendants then directed these patients to specific chiropractors who, in exchange for dozens of new workers' compensation patients each month, agreed to meet a quota set by the defendants for referrals of the new patients for ancillary goods and services such as MRIs and durable medical equipment from specific providers.

The defendants either operated the companies that provided the durable medical equipment the chiropractors were required to use or were paid by the ancillary-procedure providers for the referrals for MRIs and other tests. If the chiropractors failed to average a certain quota of referrals per applicant, the pipeline of new applicants was cut off, according to court records.

"It is paramount that patients are treated solely on the basis of their medical need - not the doctor's economic needs or pre-existing, hidden fee agreements," said U.S. Attorney Laura Duffy. "These prosecutions are part of an effort by my office and our law enforcement partners to address the staggering scope of health care fraud and protect the well-being of patients."

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The FBI, which had an integral role in the operation said:

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“This wave of indictments reinforces the FBI’s commitment to working as a team with our state and local partners in rooting out corruption in our healthcare system,” said FBI Special Agent in Charge Eric S. Birnbaum. “The FBI will continue to use our investigative expertise and intelligence capabilities to detect, deter and disrupt sophisticated fraudulent criminal conspiracies that undermine our health care system and jeopardize patient care.”

Insurance fraud wreaks havoc on the economy.

“These providers built an elaborate and illegal kickback and bribery scheme that bought and sold patients - putting profits ahead of patient medical needs,” said Insurance Commissioner Dave Jones. “Workers’ compensation is designed to protect injured workers and legitimate businesses, not create a fraudulent profit center for providers bent on taking advantage of the system. Fraudulent enterprises like this create a multi-billion dollar drain on California’s economy.”

DEFENDANTS

CASE NUMBER SCD255519

Ronald S. Grusd, M.D.	Age 69	Los Angeles, CA
Gonzalo E. Paredes	Age 59	La Verne, CA
Alexander K. Martinez	Age 38	El Centro, CA
Ruben M. Martinez	Age 59	Murrieta, CA

DEFENDANTS

CASE NUMBER SCD255520

Amir O. Khan, D.C.	Age 53	Orange, CA
Farhat F. Khan	Age 52	Orange, CA
Alexander K. Martinez	Age 38	El Centro, CA

DEFENDANTS

CASE NUMBER SCD255521

Emmanuel E. Go	Age 52	Laguna Niguel, CA
Christopher E. Go	Age 28	Laguna Niguel, CA
Alexander K. Martinez	Age 38	El Centro, CA

DEFENDANTS

CASE NUMBER SCD255522

Alexander K. Martinez	Age 38	El Centro, CA
Eric J. Schames	Age 33	Los Angeles, CA
Jennifer L. White	Age 35	Glendale, CA

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DEFENDANTS

CASE NUMBER SCD255523

