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## **CITY ATTORNEY FILES CIVIL LAW ENFORCEMENT ACTION AGAINST HOSPITALS, DOCTORS FOR HEALTH CARE FRAUD**

*Investigators Uncover Scheme to Fill Hospital Beds with Homeless to  
Bilk State, Federal Health Care Benefit Systems*

**LOS ANGELES** – Los Angeles City Attorney Rocky Delgadillo, the city’s chief prosecutor, today announced his office, in coordination with an investigation by the United States Attorney’s Office, has filed a civil law enforcement action against three Southern California Hospitals, their executive officers and several co-schemers, for their part in a broad scheme to recruit homeless individuals for unnecessary hospital treatment, and then fraudulently billing Medi-Cal and Medicare for millions of dollars in compensation.

“Today, we are sending the message that those who would seek to defraud our health care system, and those who would callously exploit mentally-impaired and drug addicted homeless men and women to turn a profit will be prosecuted to the fullest extent of the law,” said City Attorney Rocky Delgadillo. “These criminals thought they could get away with this scheme because – they figured – no one cares about the homeless on Skid Row. They were dead wrong.”

Hospitals and individuals named in the Complaint include the Pacific Health Corporation, the Los Angeles Metropolitan Medical Center, its CEO John Fenton and admitting physician Frederick Rundall; Tustin Hospital and Medical Center, its CEO Daniel Davis, CFO Vincent Rubio, and admitting physicians Kenneth Thaler and Al-Reza Tajik; and City of Angels Medical Center, and its owner/operators Robert Borseau and Rudra Sabaratnam.

Also named in the Complaint is Estill Mitts, the director of a hospital support company, Metropolitan Healthcare. According to the Complaint, he received tens of thousands of dollars per month from the hospitals named in the Complaint for coordinating the scheme. APT Ambulance Company was also named for its role in transporting homeless recruits.

The Complaint alleges that in an effort to fill unused beds at hospitals, runners employed by Mitts would approach homeless individuals in Downtown Los Angeles’ Skid Row to determine their eligibility for Medicare or Medi-Cal benefits. Eligible individuals were promised modest amounts of money, up to \$30, in exchange for visiting the Seventh Street Assessment Center in downtown Los Angeles.

At the facility, an admitting form was generated for the homeless recruit that included a fabricated diagnosis by untrained staff. These forms were sent to one of the Defendant hospitals under the name of the admitting physician, who had not examined or in most cases even seen their patient beforehand.

According to the Complaint, the Seventh Street Assessment Center had agreed to provide Tustin Hospital up to 50 patients per month, City of Angels Hospital up to 30 patients per month and LA Metro Hospital with whatever patient referrals were necessary to fill all of its beds.

Recruits were often admitted to hospitals solely based on the faxed Admission Form for various ailments, both actual and fictional, but none that rose to the level required for hospitalization. The admitting physician frequently did not see their "patients" until shortly before their discharge.

The hospitals, physicians and transporting ambulances would subsequently submit claims to Medicare or Medi-Cal for compensation after homeless recruits were sent back to Skid Row. Recruits were usually sent back within 1-2 days of being admitted. The Complaint alleges that the defendants named in the civil law enforcement action received millions of dollars in payments from the Medi-Cal and Medicare programs through this scheme.

As alleged in the Complaint, Estill Mitts and Metropolitan Healthcare were paid a flat fee of \$20,000 per month by LA Metro Hospital for patient referrals; up to \$4,000 per month from City of Angels Hospital; and varying amounts from Tustin Hospital depending on the number of patients received. Personnel at the Assessment centers were paid up to \$3,500 per month by Mitts or the hospitals directly, the Complaint states.

The scheme was discovered in October 2006 by LAPD Officers who originally believed they were witnessing an incident of homeless patient dumping. An investigation later discovered these homeless individuals were in fact recruits used in the scheme to defraud the Medi-Cal and Medicare program.

This civil law enforcement action seeks to enjoin the hospitals from engaging in the illegal activities described in the Complaint, a court order requiring the defendants to fully comply with all state and federal health care laws and disgorgement of all ill-gotten gains from the scheme. In addition, the suit seeks civil penalties of \$2,500 for each violation of the Unfair Competition Law, and an additional \$2,500 penalty for each violation that victimized any senior citizen or disabled person.

This action was filed in coordination with an investigation being conducted by the United States Attorney's Office, the United States Department of Health and Human Services, the Federal Bureau of Investigation, and the Internal Revenue Service.

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