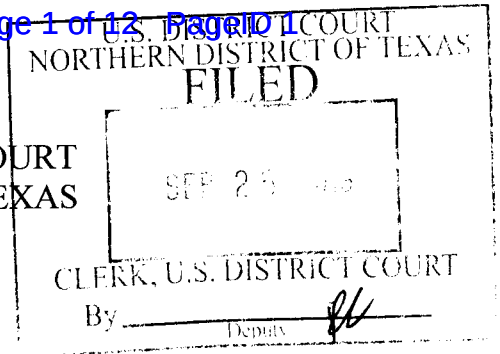


ORIGINAL



IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS DALLAS DIVISION

UNITED STATES OF AMERICA

NO.

v.

SEKHAR RAO (1)
VINAY PARAMESWARA (2)

3-19CR-507-L

INDICTMENT

The Grand Jury charges that:

General Allegations

1. At all times material to this indictment, unless otherwise noted:

The Defendants and Related Companies

2. Prolixus Financial, LLC, dba ADAR Group, LLC (ADAR Group) was an outpatient toxicology testing facility doing business at 1003 W 10th Street, Killeen, Texas. ADAR stands for Alcoholism & Drug Addiction Recovery.

3. Company A was a laboratory specializing in the evaluation of dermatologic disorders and doing business in Dallas, Texas. Company A held a CLIA license, which allowed it to perform laboratory tests at its facility and submit claims for those tests to TRICARE. Company A was an authorized TRICARE provider.

4. Origen Laboratories and Progen Lab Systems, LLC (collectively, Progen Lab) were laboratories purportedly doing business in Dallas, Texas. Progen Lab

submitted laboratory test claims to TRICARE using Company A's TRICARE provider number and CLIA license.

5. Defendant **Sekhar Rao** was a licensed physician in the State of Texas practicing in Travis County, Texas with a specialty in interventional radiology. **Sekhar Rao** signed toxicology and DNA cancer screen test orders for ADAR Group for TRICARE beneficiaries he did not know or treat.

6. Defendant **Vinay Parameswara** was a licensed physician in the State of Texas practicing in Travis County, Texas with a specialty in internal medicine. **Vinay Parameswara** signed toxicology and DNA cancer screen test orders for ADAR Group for TRICARE beneficiaries he did not know or treat.

7. Eric Bugen was an owner and managing partner of ADAR Group.

8. Jody Sheffield was the operations manager of ADAR Group.

TRICARE (Generally)

9. Title 18, United States Code, Section 24(b) defined a health care benefit program as any public or private plan or contract, affecting commerce, under which any medical benefit, item, or service was provided to any individual and included any individual or entity who provided a medical benefit, item, or service for which payment may be made under the plan or contract.

10. TRICARE was a health care program of the United States Department of Defense (DoD) Military Health System that provided coverage for DoD beneficiaries worldwide, including active duty service members, National Guard and Reserve

members, retirees, their dependents, and survivors. The Defense Health Agency (DHA), an agency of the DoD, was the military entity responsible for overseeing and administering the TRICARE program. TRICARE was a “health care benefit program” as defined in 18 U.S.C. § 24(b). Individuals who received benefits through TRICARE were referred to as TRICARE “beneficiaries.”

11. TRICARE paid for medically necessary services and supplies required in the diagnosis and treatment of illness or injury. Benefits included specified medical services and supplies provided to eligible beneficiaries from authorized civilian sources, including pharmaceuticals.

Toxicology and DNA Testing (Generally)

12. In general, toxicology testing was a diagnostic service that was required to be ordered by a primary care manager (PCM) which included a Medical Doctor, Doctor of Osteopathic Medicine, Physician’s Assistant, or a Nurse Practitioner. Once ordered, tests performed in a Clinic Laboratory Improvement Amendments (CLIA) certified facility. The tests were conducted on a sample of urine. Toxicology tests were a covered TRICARE benefit when prescribed by a licensed physician and medically necessary.

13. In general, DNA cancer screenings were required to be ordered by a PCM and performed by a CLIA-certified facility. DNA cancer screenings looked for specific inherited changes (mutations) in a person’s chromosomes, genes, or proteins. The screenings were done with a small sample of fluid or bodily tissue, including saliva. The tissues were collected from a patient and transplanted to a laboratory where the testing took place. DNA tests were a covered TRICARE benefit when prescribed by a PCM,

medically necessary, and either FDA approved or non-FDA approved with certain restrictions.

The Fraudulent Scheme

Overview of the Scheme

14. **Defendants Sekhar Rao and Vinay Parameswara**, along with Erik Bugen, Jody Sheffield, and others known and unknown to the Grand Jury, unlawfully submitted and caused to be submitted false and fraudulent claims to Federal health care programs for toxicology and DNA cancer screen tests. Health care benefit programs paid millions of dollars on these false and fraudulent claims. These tests, as defendants knew and intended, were, among other things, not legitimately prescribed, not needed, not used, and induced through the payment and receipt of kickbacks and bribes.

15. Over the course of, and in furtherance of, the fraudulent scheme, which began no later than in or about May 2014 and continued until in or about June 2016, the exact dates being unknown to the Grand Jury, **Sekhar Rao and Vinay Parameswara**, along with Erik Bugen, Jody Sheffield, and others known and unknown to the Grand Jury, submitted and caused the submission of approximately \$36 million in false and fraudulent claims to TRICARE for toxicology and DNA cancer screen tests that were not legitimately prescribed, not needed, not used, and induced through the payment and receipt of kickbacks and bribes.

Object/Purpose of the Scheme

16. The object/purpose of the scheme was for the defendants and others known and unknown to the Grand Jury to unlawfully enrich themselves by submitting and

causing the submission of false and fraudulent claims to TRICARE for health care benefits. The false and fraudulent claims were for toxicology and DNA cancer screen tests that were not legitimately prescribed, not needed, not used, and induced through the payment and receipt of kickbacks and bribes.

Execution of the Scheme

17. Erik Bugen, Jody Sheffield and others operated ADAR Group solely to achieve the objective of their scheme to defraud: to unlawfully enrich themselves by submitting false and fraudulent claims for health care benefits.

18. Erik Bugen and Jody Sheffield induced TRICARE beneficiaries with Wal-Mart gift cards to provide urine and saliva specimens.

19. Erik Bugen, Jody Sheffield, and other ADAR Group employees collected urine and saliva samples from as many as 200 beneficiaries per day.

20. Erik Bugen recruited doctors including defendants **Sekhar Rao** and **Vinay Parameswara**, among others, to be “medical directors” of ADAR Group through advertisements on internet job websites.

21. Erik Bugen entered into medical director contracts with **Sekhar Rao** and **Vinay Parameswara**. Although the contracts stated that the doctors would be paid for reviewing toxicology test results, in reality, **Sekhar Rao** and **Vinay Parameswara** were paid kickbacks for ordering tests that were not medically necessary.

22. Erik Bugen and Jody Sheffield paid **Sekhar Rao** and **Vinay Parameswara** \$6,000 to \$8,000 per month for ordering unnecessary and repetitive toxicology and DNA cancer screen tests. These specimens were mailed to Progen Lab

for unnecessary toxicology and DNA cancer screen tests and billed to TRICARE by Company A.

23. Erik Bugen requested, and **Sekhar Rao** and **Vinay Parameswara** provided, signature stamps, which were sent directly to Erik Bugen's home. Employees of ADAR Group then used the doctors' signature stamps to order toxicology and DNA cancer screen tests before sending the order forms to Progen Lab to ultimately be billed to TRICARE.

24. **Sekhar Rao** and **Vinay Parameswara** never visited ADAR Group and had no contact with patients. They did not treat nor have any physician-patient relationship with the TRICARE beneficiaries for whom they ordered toxicology and DNA cancer screen tests. **Sekhar Rao** and **Vinay Parameswara** did not discuss or provide test results to the beneficiaries. Beneficiaries did not know **Sekhar Rao** or **Vinay Parameswara**.

25. ADAR Group employees submitted urine samples for toxicology tests for any person recruited by Erik Bugen and Jody Sheffield, without regard for whether the tests were necessary or whether the person had a history of drug or alcohol use.

26. ADAR Group placed false diagnosis codes on TRICARE claim submissions to make it appear that the beneficiary needed the tests. For example, employees at ADAR Group placed "Malignant Neoplasm of Lip" and "Alcohol Abuse, Uncomplicated" on order forms for beneficiaries that had neither a history of cancer nor alcohol abuse. This was done to ensure that TRICARE would accept, and pay, the claim.

27. Defendants **Sekhar Rao** and **Vinay Parameswara**, along with Erik Bugen, Jody Sheffield, and others caused to be submitted to TRICARE, at least approximately \$36 million in false and fraudulent claims. TRICARE paid Company A approximately \$4.8 million as payment for those claims.

28. In furtherance of the scheme, and to accomplish its object/purpose, the conspirators committed, and caused to be committed, the submission of the false and fraudulent claims reflected in Counts Two through Five.

Count One
Conspiracy to Commit Health Care Fraud
(Violation of 18 U.S.C. § 1349 (18 U.S.C. § 1347))

29. The Grand Jury re-alleges and incorporates by reference all previous paragraphs as if fully alleged herein.

The Conspiracy

30. From in or about May 2014 and continuing to in or about June 2016, the exact dates being unknown to the Grand Jury, in the Dallas Division of the Northern District of Texas and elsewhere, the defendants, **Sekhar Rao** and **Vinay Parameswara** and others did knowingly and willfully combine, conspire, confederate, and agree with Erik Bugen, Jody Sheffield, and others known and unknown to the Grand Jury, to violate 18 U.S.C. § 1347, that is to knowingly and willfully devise and execute, and attempt to execute, a scheme and artifice to defraud TRICARE, a health care benefit program as defined in 18 U.S.C. § 24(b), and to obtain money and property owned by, and under the custody and control of, TRICARE, by means of materially false and fraudulent pretenses,

representations, and promises, in connection with the delivery of, and payment for, health care benefits, items, and services, in violation of 18 U.S.C. § 1349.

Object/Purpose of the Conspiracy

31. The Grand Jury re-alleges and incorporates Paragraph 16 as a description of the object/purpose of the conspiracy.

Manner and Means of the Conspiracy

32. In furtherance of the conspiracy and to accomplish its object/purpose, the methods, manners, and means that were used are described in Paragraphs 14 through 28 and incorporated by reference as though set forth fully herein.

Counts Two through Five
Health Care Fraud
(Violation of 18 U.S.C. §§ 1347 and 2)

33. The Grand Jury re-alleges and incorporates by reference all previous paragraphs as if fully alleged herein.

34. From in or about May 2014 and continuing to in or about June 2016, the exact dates being unknown to the Grand Jury, in the Dallas Division of the Northern District of Texas and elsewhere, the defendants, **Sekhar Rao** and **Vinay Parameswara**, aided and abetted by others, and aiding and abetting others known and unknown to the Grand Jury, did knowingly and willfully execute, and attempt to execute, a scheme and artifice to defraud TRICARE, a health care benefit program as defined in 18 U.S.C. § 24(b) and to obtain by means of materially false and fraudulent pretenses, representations, and promises in connection with the delivery of, and payment for, health care benefits, items, and services, by submitting or causing the submission of false and

fraudulent claims to TRICARE for tests that were among other things, not legitimately prescribed, not needed, not used, and induced through the payment of kickbacks and bribes.

35. On or about the dates specified below, in the Dallas Division of the Northern District of Texas and elsewhere, **Sekhar Rao** and **Vinay Parameswara**, as specified below, aided and abetted by others, and aiding and abetting others known and unknown to the Grand Jury, submitted or caused to be submitted, the following false and fraudulent claims to TRICARE, as specified below, for tests that were, among other things, not legitimately prescribed, not needed, and induced through the payment of kickbacks and bribes, in execution of the scheme described in Paragraphs 34, with each claim forming a separate count:

Count	Defendant	Bene- ficiary	Last 4 Claim Numbers	Approx. Date of Service	Approx. Billed Amount	Approx. Paid Amount
2	Sekhar Rao	J.J.	*3435	10-13-16	\$2,583.92	\$576.08
3	Sekhar Rao	J.J.	*3965	10-14-15	\$30,676.49	\$11,895.31
4	Vinay Parameswara	S.M.	*3965	10-21-15	\$30,676.49	\$11,895.31
5	Vinay Parameswara	S.M.	*3795	10-23-15	\$2,583.92	\$576.08

All in violation of Title 18, United States Code, Sections 1347 and 2.

Forfeiture Notice

(18 U.S.C. §§ 981(a)(1)(C) and 982(a)(7) and 28 U.S.C. § 2461(c))

1. Pursuant to 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. 2461(c), upon conviction of the Count One offense, the defendants **Sekhar Rao** and **Vinay Parameswara**, shall forfeit to the United States, any property, real or personal, which constitutes or is derived from proceeds traceable to Count One.

2. Pursuant to 18 U.S.C. § 982(a)(7) and 28 U.S.C. 2461(c), upon conviction of the Counts Two through Five offenses, the defendants **Sekhar Rao** and **Vinay Parameswara**, shall forfeit to the United States, any property, real or personal, which constitutes or is derived from proceeds traceable to Counts Two through Five.

3. The defendants are notified that upon conviction, a money judgment may be imposed equal to the gross proceeds.


4. Pursuant to 21 U.S.C. § 853(p), as incorporated by 28 U.S.C. § 2461(c), if any of the property described above, 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 party;
- 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 divided without difficulty.

A TRUE BILL

FOREPERSON

TANYA PIERCE
ATTORNEY FOR THE UNITED STATES,
ACTING UNDER AUTHORITY
CONFERRED BY 28 U.S.C. § 515


ADRIENNE E. FRAZIOR
Assistant Chief
Criminal Division
Department of Justice
Texas State Bar No. 24059546
1100 Commerce Street, Third Floor
Dallas, Texas 75242-1699
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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

THE UNITED STATES OF AMERICA

v.

SEKHAR RAO (1)
VINAY PARAMESWARA (2)

INDICTMENT

18 U.S.C. § 1349 (18 U.S.C. § 1347)
Conspiracy to Commit Health Care Fraud
(Count 1)

18 U.S.C. §§ 1347 and 2
Health Care Fraud
(Counts 2-5)

18 U.S.C. §§ 981(a)(1)(C), 982(a)(7) and 28 U.S.C. § 2461(c)
Forfeiture Notice

5 Counts

A true bill rendered

DALLAS

FOREPERSON

Filed in open court this 5 day of September, 2019.

Summons to Issue


UNITED STATES MAGISTRATE JUDGE

No Criminal Matter Pending