

UNITED STATES DISTRICT COURT

for the
Southern District of Texas

United States of America
v.
Waddie McDuffie

Case No. 4:14-cr-196

Defendant

ARREST WARRANT

Sealed
Public and unofficial staff access
to this instrument are
prohibited by court order.

To: Any authorized law enforcement officer

YOU ARE COMMANDED to arrest and bring before a United States magistrate judge without unnecessary delay
(name of person to be arrested) Waddie McDuffie,
who is accused of an offense or violation based on the following document filed with the court:

- Indictment Superseding Indictment Information Superseding Information Complaint
- Probation Violation Petition Supervised Release Violation Petition Violation Notice Order of the Court

This offense is briefly described as follows:

Count 1: 18 USC Sec. 371 Conspiracy to Defraud the United States and to Pay and Receive Health Care Kickbacks

COPY

Date: 05/12/2014

Issuing officer's signature

City and state: Houston, TX

T. Hanniable
Printed name and title

Return

This warrant was received on (date) _____, and the person was arrested on (date) _____
at (city and state) _____.

Date: _____

Arresting officer's signature

Printed name and title

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

United States Courts
Southern District of Texas
FILED

MAY 12 2014

David J. Bradley, Clerk of Court

UNITED STATES OF AMERICA

v.

WADDIE MCDUFFIE,

Defendant.

§
§
§
§
§
§
§

Criminal No. 14 CR 196

Sealed
Public and unofficial staff access
to this instrument are
prohibited by court order.

INDICTMENT

The Grand Jury charges:

General Allegations

At all times material to this Indictment, unless otherwise specified:

1. The Medicare Program (“Medicare”) was a federal healthcare program providing benefits to individuals who were 65 years of age or older or disabled. Medicare was administered by the Centers for Medicare and Medicaid Services (“CMS”), a federal agency under the United States Department of Health and Human Services. Medicare was a “healthcare benefit program” as defined by Title 18, United States Code, Section 24(b).
2. Medicare was subdivided into multiple Parts. Medicare Part B covered partial hospitalization programs (“PHPs”) connected with the treatment of mental illness. The treatment program of PHPs closely resembled that of a highly structured, short-term hospital inpatient program, but it was a distinct and organized intensive treatment program that offered less than 24-hour daily care.
3. Patients eligible for Medicare coverage of a PHP comprised two groups: (1) those patients who were discharged from an inpatient hospital treatment program, and the PHP is

in lieu of continued inpatient treatment and (2) those patients who, in the absence of partial hospitalization, would require inpatient hospitalization.

4. Individuals who qualified for Medicare benefits were commonly referred to as Medicare “beneficiaries.” Each beneficiary was given a Medicare identification number.

5. Hospitals, physicians and other healthcare providers that provided services to Medicare beneficiaries were referred to as Medicare “providers.” A healthcare provider with a Medicare provider number could file claims with Medicare to obtain reimbursement for services rendered to beneficiaries.

6. Medicare paid hospitals and other healthcare providers for services rendered to beneficiaries. To receive payment from Medicare, providers submitted or caused the submission of claims to Medicare, either directly or through a billing company.

7. CMS contracted with Medicare Administrative Contractors (“MACs”) to process claims for payment. The MAC that processed and paid Medicare Part B claims for PHP services in Texas was TrailBlazer Health Enterprises, LLC (“TrailBlazer”).

8. To bill Medicare for services rendered, a provider submitted a claim form (Form 1500) to TrailBlazer. When a Form 1500 was submitted, usually in electronic form, the provider certified that: (1) the contents of the form were true, correct and complete; (2) the form was prepared in compliance with the laws and regulations governing Medicare; and (3) the contents of the claim were medically necessary.

9. A Medicare claim for PHP reimbursement was required to set forth, among other things, the beneficiary’s name and unique Medicare identification number, the item or service provided to the beneficiary, the date the item or service was provided, the cost of the item or

service, and the name and unique physician identification number of the physician who prescribed or ordered the item or service.

10. A Houston hospital (“the Hospital”) was a Texas non-profit entity doing business in and around Houston, Texas. The Hospital billed Medicare for PHP services purportedly provided at the Hospital locations and for PHP services purportedly provided by independent contractors at satellite locations.

11. Defendant **WADDIE MCDUFFIE**, a resident of Harris County, Texas, was a Hospital employee and worked at various Hospital PHPs.

COUNT 1
Conspiracy to Defraud the United States and to
Pay and Receive Health Care Kickbacks
(18 U.S.C. § 371)

12. From in or around 2008, through in or about 2012, the exact dates being unknown, in the Houston Division of the Southern District of Texas, and elsewhere, the defendant,

WADDIE MCDUFFIE,

did knowingly and willfully combine, conspire, confederate and agree with others known and unknown to the grand jury, to commit certain offenses against the United States, that is,

- a. to defraud the United States by impairing, impeding, obstructing and defeating through deceitful and dishonest means, the lawful government functions of the United States Department of Health and Human Services in its administration and oversight of the Medicare program;
- b. to violate Title 42, United States Code, Section 1320a-7b(b)(1), by knowingly and willfully soliciting and receiving remuneration, specifically, kickbacks and bribes, directly and indirectly, overtly and

covertly, in return for referring individuals for the furnishing and arranging for the furnishing of any item and service for which payment may be made in whole or in part by Medicare; and for the purchasing, leasing, ordering and arranging for and recommending the purchasing, leasing and ordering of any good, item and service for which payment may be made in whole and in part by a Federal health care program, that is, Medicare; and

- c. to violate Title 42, United States Code, Section 1320a-7b(b)(2), by knowingly and willfully offering and paying remuneration, specifically, kickbacks and bribes, directly and indirectly, overtly and covertly, in return for referring individuals for the furnishing and arranging for the furnishing of any item and service for which payment may be made in whole or in part by Medicare; and for the purchasing, leasing, ordering and arranging for and recommending the purchasing, leasing and ordering of any good, item and service for which payment may be made in whole and in part by a Federal health care program, that is, Medicare.

Purpose of The Conspiracy

13. It was a purpose of the conspiracy for the defendant and his co-conspirators to unlawfully enrich themselves by paying and receiving kickbacks and bribes to patient recruiters and group home owners in exchange for the referral of Medicare beneficiaries for whom the Hospital would submit claims to Medicare.

Manner and Means of the Conspiracy

The manner and means by which the defendant and his co-conspirators sought to accomplish the purpose and object of the conspiracy included, among other things:

14. The Hospital would maintain a Medicare provider number that the defendant's co-conspirators would use to submit claims to Medicare for PHP services.

15. The defendant **WADDIE MCDUFFIE** and his co-conspirators would pay and cause the payment of kickbacks to patient recruiters and group home owners in exchange for the recruiters and group home owners sending Medicare beneficiaries to the Hospital for PHP services.

16. The Hospital would submit claims to Medicare for PHP services purportedly provided to the Medicare beneficiaries referred by patient recruiters and group home owners in exchange for kickbacks paid by the defendant **WADDIE MCDUFFIE** and his co-conspirators.

17. The defendant **WADDIE MCDUFFIE** would deliver kickbacks to group home owners, nursing home operators, and patient recruiters in exchange for those group home owners, nursing home operators, and patient recruiters sending Medicare beneficiaries to the Hospital for PHP services. The group home owners, nursing home operators, and patient recruiters to whom defendant **WADDIE MCDUFFIE** delivered kickbacks, received approximately \$289,221.00 in kickbacks.

All in violation of Title 18, United States Code, Section 371.

Overt Acts

18. In furtherance of the conspiracy, and to accomplish its object and purpose, the conspirators committed and caused to be committed, in the Houston Division of the Southern District of Texas, the following overt acts:

a. Defendant **WADDIE MCDUFFIE** delivered health care kickbacks to Group Home Owner #1 in exchange for Group Home Owner #1 sending Medicare beneficiaries to the Hospital for PHP services.

b. From in or about 2010 through in or about 2011, defendant **WADDIE MCDUFFIE's** co-conspirators paid kickbacks to Group Home Owner #1 in exchange for Group Home Owner #1 sending Medicare beneficiaries to the Hospital for PHP services.

c. Defendant **WADDIE MCDUFFIE** delivered health care kickbacks to Nursing Home Operator #1 in exchange for Nursing Home Operator #1 sending Medicare beneficiaries to the Hospital for PHP services.

All in violation of Title 18, United States Code, Section 371.

NOTICE OF CRIMINAL FORFEITURE
(18 U.S.C. §§ 982(a)(7), 981(a)(1)(C), and 28 U.S.C. § 2461)

19. Pursuant to Title 18, United States Code, Section 982(a)(7), the United States of America gives notice to the defendant **WADDIE MCDUFFIE** that, upon conviction for the violation charged in Count One of the Information, the defendant shall forfeit all property, real or personal, that constitutes or is derived, directly or indirectly, from gross proceeds traceable to the commission of any such offense, including, but not limited to, a money judgment in the amount of at least \$289,221.00 in United States currency, for which the defendant and his co-conspirators may be jointly and severally liable.

20. In the event that the property subject to forfeiture as a result of any act or omission of a 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,

it is the intent of the United States to seek forfeiture of any other property of the defendant up to the total value of the property subject to forfeiture, pursuant to Title 21, United States Code, Section 853(p), incorporated by reference in Title 18, United States Code, Section 982(b)(1), and Title 28, United States Code, Section 2461.

A TRUE BILL

Original signature on File

~~FOREPERSON~~

KENNETH MAGIDSON
UNITED STATES ATTORNEY



ASHLEE CALIGONE MCFARLANE

Trial Attorney

LAURA M.K. CORDOVA

Assistant Chief

U.S. Department of Justice

Criminal Division, Fraud Section