# Federal Indictment of Alleged Southern California Workers Compensation Fraud Ring

The U.S. Department of Justice (DOJ) announced the "first wave" of indictments in a case that is expected to expand focusing on fraud in the Southern California workers compensation system. DOJ coordinated the investigation with multiple federal and state agencies, including the FBI, the California Department of Insurance, and the San Diego County District Attorney. The indictments included eight physicians, including Beverly Hills-based radiologist Dr. Ronald Grusd, and other healthcare providers.

Fraud and abuse in the workers compensation system has been widely perceived as an ongoing problem. In 2012, Governor Brown signed into law SB 863, a bill that introduced reforms specifically intended to address and reduce fraud. Payors such as Zenith Insurance Company, Berkshire Hathaway, and the State Compensation Insurance Fund (SCIF), as well as government agencies, have alleged that fraud remains a rampant problem among injured workers and providers (the focus of the current indictment). The allegation is that healthcare providers seek to increase revenues by rendering medically unnecessary services – or, in even more egregious cases – bill for services not actually provided in order to increase reimbursement.

This latest investigation focuses on the problem of kickbacks, in which patients are "bought" and "sold" with the giving and receiving of illegal inducements. Paying for patients is illegal under both federal law, which applies to Medicare, Medicaid, and other federal health programs, and under state law, which applies in the arenas of commercial insurance, workers compensation, and cash-pay practices.

In this case, DOJ alleges that the indicted doctors and other defendants — including a chiropractor, medical equipment supplier, marketer, and clinic administrator — conspired to commit fraud. In particular, injured workers sought help from chiropractors, who were paid to refer the patients to various providers for medical equipment, diagnostic imaging (e.g. MRIs), and shock wave therapy. Dr. Grusd, who operates 13 clinics across Southern California, is accused of using a shell company to funnel the kickbacks under the guise of paying for professional services. In a related scheme, kickbacks were falsely categorized as payments for office space.

Investigation of fraud among workers compensation providers is expected to lead to future rounds of indictments in this case. Healthcare providers working extensively with patients covered by workers compensation should take care to ensure their marketing practices are in strict compliance with California law.

For more information/questions regarding any legal matters, please email info@nelsonhardiman.com or call .