

Jury Returns Guilty Verdict in Sleep Study Fraud Case

Fighting healthcare fraud is an ongoing battle for the government. Begun in 2007, the Medicare Fraud Strike Force is a collaboration between the Department of Justice (DOJ) and Health and Human Services (HHS) with the goal of preventing and combating healthcare fraud across the country. Since its inception, the Medicare Fraud Strike Force has leveled charges against 3,500 defendants who have fraudulently billed Medicare for more than \$12 billion in all.

Whether or not criminal convictions serve to send a message to bad actors in the industry and therefore deter new cases of fraud, successful prosecutions recoup taxpayer dollars and can act as a wake-up call for individuals contemplating defrauding the government. Of course, sleeping precedes waking up, and a recent case that has come to a close is one involving an alleged fraudulent sleep study clinic.

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Earlier this week a federal jury in Virginia found the former owner of sleep study businesses guilty of healthcare fraud. Forty-four-year-old Young Yi, a citizen of South Korea, was convicted of one count of conspiracy to commit healthcare and Medicare fraud, seven counts of healthcare fraud, one count of conspiracy to defraud the United States, and one count of filing a false tax return.

“Yi lied to, cheated, and stole from taxpayers and insurance companies,” said G. Zachary Terwilliger, U.S. Attorney for the Eastern District of Virginia, in a press release. “When someone commits healthcare and tax fraud it drives up the cost of care for everyone and creates an un-level playing field. Yi misled patients and their doctors, falsified records to cover it up, and deducted million-dollar taxes she used to buy expensive properties and luxury goods. I want to thank our trial team and investigative partners for their terrific work on this complex and important case.”

Court records show Yi formed the business entities 1st Class Sleep Diagnostic Center and 1st Class Medical 13 years ago. Yi allegedly instructed her employees to enroll patients who had been appropriately referred to the clinics in additional studies that were not ordered by physicians and were not medically necessary.

Furthermore, trial evidence revealed that Yi warned her staff not to send the results of the aforementioned non-physician-ordered studies to the patients' doctors. She had employees tell patients that they were not required to pay copays or coinsurance (which was often untrue), and she covered up duplicate claims by cross-billing with different business entities (which also allowed her to receive out-of-network payments for in-network services). Trial evidence also illustrated that Yi used referring physician names and identifying information on insurance claims forms without getting the doctors' permission.

Sleep clinic owner allegedly turned employees into patients

But apparently Yi didn't stop at manipulating the claims and the diagnostics of patients referred to her clinics. According to court records, she asked her employees to undergo sleep studies that were paid for by insurance companies or Medicare. Three of her employees underwent over two dozen sleep studies collectively in only three years, although those individuals do not suffer from sleep apnea.

Allegedly, Yi paid those employees for participating in the fraudulent sleep studies. Evidence presented at trial showed that employees were sometimes incentivized to bring in family and friends for sleep studies: the staff would be grouped into teams and encouraged to compete in “races” to bring in the most new patients for the sleep study scheme.

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health care system.”

In all, Yi took in over \$83 million from Medicare and private insurance.

The two entities Yi formed in 2005 were not the only businesses she used to allegedly perpetrate the healthcare fraud scheme, but the cross-billing between those two alone amounted to \$4 million in ill-gotten gains.

“Young Yi fueled her lavish lifestyle by misleading patients, withholding information from physicians, and using doctors’ identifying information without their permission in order to steal millions of dollars from Medicare and private insurers,” said Brian A. Benczkowski, Assistant Attorney General of the Justice Department’s Criminal Division, in a press release. “Today’s verdict highlights the important work of the Department and our law enforcement partners as we seek to hold people accountable for defrauding our health care system.”

Yi will be sentenced in early November. Her co-defendant, Dannie Ahn, pleaded guilty in December and will be sentenced next month.

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