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STATEMENT FROM DOI REGARDING TODAY'S ARRESTS OF 16 INDIVIDUALS WHO CONSPIRED TO DEFRAUD THE TAXPAYERS BY RIPPING OFF THE MEDICAID PROGRAM

Eight employees of the New York City Human Resources Administration/ Department of Social Services ("HRA"), and eight other individuals were arrested today in a multi-million dollar Medicaid fraud scheme that operated principally out of HRA's Central Medicaid Office on 34th Street in Manhattan. Four of the HRA employees were arrested today at HRA's 34th Street office. The federal charges announced today by the U.S. Attorney for the Eastern District of New York ("EDNY"), include conspiracy to commit Health Care Fraud and Mail Fraud.

The arrests of these sixteen people mark the culmination of a two-year investigation by DOI, the US Postal Inspection Service (USPIS) and the Office of the Inspector General for the U. S. Department of Health and Human Services (HHS OIG). The job of these HRA employees was supposed to be to open Medicaid accounts for needy clients through an application and evaluation process. Eligibility is supposed to be determined based largely on the applicant's annual income. Once activated, the Medicaid card could be used for an unlimited amount of medical and prescription benefits. The value of those Medicaid cards and the access the HRA employees had to the production of the cards, created a cottage industry for the illegal sale of the cards, which is reflected in today's charges. Thus, the defendants are alleged to have participated in a lucrative scheme to generate Medicaid cards for people in exchange for a cash fee of approximately \$300-\$400 per card. The recipients of those Medicaid cards, none of whom had properly applied to HRA for the cards, were then able to use the Medicaid cards for medical needs just like a legitimate Medicaid card recipient. Collectively millions dollars of illegally dispensed benefits were charged on these ill-gotten Medicaid cards. The investigation is on-going and increased losses are expected to be found.

These HRA employees worked with "recruiters" who were the non-HRA defendants charged in today's complaints. These "recruiters" are charged with obtaining the names and contact information, as well as the cash payoffs, from the individuals seeking to illegally obtain the Medicaid benefits. This investigation involved use of court-authorized wire taps between November 2005 and January 2006, with which investigators listened in on telephone conversations between some of the co-conspirators. During that time period, investigators learned when the Medicaid cards were being illegally ordered and produced for sale. The cash fee for each card was typically divided between the HRA and non-HRA participants in the sale. DOI also used other techniques and its unique access to City agencies to track and collect evidence vital to this case.

The defendants include: HRA Principal Administrative Associates Donna Dorr, Iliana Albelo-Johnson and Steven Vinson; HRA Eligibility Specialists Donald Miles, Chrisone Robertson, Laverne

Mays, and Kelly Hooper; HRA Temporary employee Carl Smith; and Medicaid street “recruiters” Miguel Paredes, Ibrahim Bazzi, Robert Fares, Adam Farhat, Mamadou Gacko, Feuzi Karabay, Ahmed Noor, and Imad Alaouie.

The conspiracy charged against these defendants to illegally sell Medicaid cards is the ultimate perversion of a public benefit program that was created to provide medical services to enrolled individuals and families who wouldn’t otherwise be able to afford them. These City employees tasked with administering this program were only interested in lining their own pockets. Some of them did so to the tune of tens of thousands of dollars. During the life of this conspiracy, several hundred illegitimate Medicaid cards were created. This translated into a loss of precious governmental funds that ran into the millions of dollars, money that was supposed to go to people deemed eligible and in need.

Whenever DOI engages in an investigation like this where aspects of a City agency are misused for the purpose of engaging in criminal activity, we learn something about how to improve the systems involved with that agency’s operation in order to help avoid future corruption. The fraud exposed in this case is costly. Securing the system used to produce the cards, creating and enforcing checks and balances, better oversight by supervisors, random audits of client files and requiring fingerprint and/or photo identification on the cards – are some of the improvements that should be considered in order to address the corruption vulnerabilities exposed by this scheme. Certainly the benefits need to continue to be dispensed to needy individuals but through a system that does so properly and by honest means. A big help with this task is the fact that Commissioner Eggleston is committed to having HRA run efficiently and as corruption-free as possible. DOI works closely with her, and despite the concern of today’s arrests, I know we will work well together to tighten and improve procedures at HRA to discourage this kind of activity.

This investigation was a terrific collaboration of both City and federal law enforcement agencies and I thank them, as well as the EDNY for their prosecution of the case particularly Assistant U.S. Attorney Robert M. Radick.

All HRA employees and other individuals having knowledge, tips or information about this type of activity are asked to contact DOI’s HRA Inspector General’s Office at 212-331-3030.

DOI Commissioner Rose Gill Hearn thanked HRA Commissioner Verna Eggleston and her staff for their assistance and cooperation. As a result of this investigation, which is continuing, DOI will work with HRA to develop specific recommendations to guard against future losses.

New York City Human Resources Administration/Department of Social Services Commissioner Eggleston stated, “Medicaid fraud cannot and will not be tolerated under any circumstances. There are 16,000 employees at HRA who serve 3 million New Yorkers every year and their good work should not be diminished by the actions of a few employees. In the past five years, HRA’s Prescription Drug Fraud Unit has made over 1000 arrests, with a total cost avoidance of approximately \$18 million. We will not allow the taxpayers of this city to be cheated in any way and will continue to take measures to identify and prosecute fraud.”

The Medicaid program in New York City costs \$25 billion. There are more than 2.6 million New York City residents currently enrolled in Medicaid, which provides critical medical services for working families who could not otherwise afford care, and for our city’s most vulnerable populations including the elderly, the mentally and physically disabled, and individuals with HIV/AIDS.

The DOI personnel who participated in this investigation were DOI Deputy Commissioner Daniel Brownell, Assistant Commissioner Benjamin Defibaugh and Chief Investigator Frank DeLisi, along with agents from the USPIS and the HHS OIG.

Criminal complaints are accusations. Defendants are presumed innocent until proven guilty.

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