



UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

June 2016 Grand Jury

UNITED STATES OF AMERICA,
Plaintiff,
v.
KNARIK VARDUMYAN,
Defendant.

CR No. 16 00433

I N D I C T M E N T

[18 U.S.C. § 1347: Healthcare Fraud]

The Grand Jury charges:

COUNTS ONE TO SEVEN

[18 U.S.C. § 1347]

A. INTRODUCTORY ALLEGATIONS

At all times relevant to this Information:

1. From in or about 2011 to in or about August 2013, defendant KNARIK VARDUMYAN ("defendant VARDUMYAN") owned and operated a medical clinic located at 421 East Angeleno Avenue, Suite 106, Burbank, California 91501, within the Central District of California (the "Angeleno Clinic"). During that time period, defendant VARDUMYAN worked at the Angeleno Clinic as the office manager.

1 2. The Angeleno Clinic was in operation from in or about 2011
2 to in or about August 2013 and, during most or all of that time, was
3 a Medicare provider under a physician, including Dr. R.T. and Dr.
4 P.D. A physician's assistant ("PA"), B.C., was associated with the
5 Angeleno Clinic from in or about September 2012 to in or about August
6 2013.

7 3. Between in or about September 2012 and in or about
8 September 2013, the Angeleno Clinic billed Medicare approximately
9 \$387,520 for office visits and diagnostic tests such as ultrasounds,
10 electrocardiograms ("EKGs") and spirometry tests allegedly provided
11 to Medicare beneficiaries at the clinic, and Medicare paid the
12 Angeleno Clinic approximately \$171,487 on those claims.

13 4. During that same time period, Medicare providers -
14 including durable medical equipment ("DME") supply companies,
15 independent diagnostic testing facilities ("IDTFs"), and home health
16 agencies - submitted to Medicare claims totaling approximately
17 \$2,064,759 for DME, diagnostic tests such as nerve conduction
18 velocity studies ("NCVs") and sleep studies, and home health services
19 that were allegedly prescribed or ordered by B.C. or other providers
20 at the Angeleno Clinic, and Medicare paid those Medicare providers
21 approximately \$1,540,302 on those claims.

22 The Medicare Program

23 5. Medicare was a federal health care benefit program,
24 affecting commerce, that provided benefits to individuals who were
25 over the age of 65 or disabled. Medicare was administered by the
26 Centers for Medicare and Medicaid Services ("CMS"), a federal agency
27 under the United States Department of Health and Human Services
28 ("HHS").

1 6. Individuals who qualified for Medicare benefits were
2 referred to as Medicare "beneficiaries." Each Medicare beneficiary
3 was given a Health Identification Card containing a unique
4 identification number ("HICN").

5 7. DME supply companies, IDTFs, physicians, PAs, home health
6 agencies, and other health care providers that provided medical
7 services that were reimbursed by Medicare were referred to as
8 Medicare "providers."

9 8. To obtain payments from Medicare as reimbursement for
10 services provided to Medicare beneficiaries, a provider first had to
11 apply for and obtain a provider number. By signing the provider
12 application, the provider agreed to (a) abide by Medicare rules and
13 regulations; and (b) not submit claims for payment to Medicare
14 knowing they were false or fraudulent or with deliberate ignorance or
15 reckless disregard of their truth or falsity.

16 9. If Medicare approved a provider's application, Medicare
17 assigned the provider a Medicare provider number, which enabled the
18 provider to submit claims to Medicare for services rendered to
19 Medicare beneficiaries.

20 10. Most providers, including the Angeleno Clinic and providers
21 associated with the Angeleno Clinic, submitted their claims
22 electronically pursuant to an agreement with Medicare that they would
23 submit claims that were accurate, complete, and truthful.

24 11. Medicare reimbursed providers only for services that were
25 medically necessary to the treatment of a beneficiary's illness or
26 injury, were prescribed by a beneficiary's physician, and were
27 provided in accordance with Medicare regulations and guidelines that
28

1 governed whether a particular service would be reimbursed by
2 Medicare.

3 12. Medicare required a claim for Medicare reimbursement of
4 services to set forth, among other things, the beneficiary's name,
5 HICN, and diagnosis; the Current Procedural Terminology ("CPT") code
6 for the service provided to the beneficiary; the date when and
7 location where the service was provided; and the name and physician
8 identification number of the physician who ordered the service.

9 **B. THE SCHEME TO DEFRAUD**

10 13. Beginning in or about September 2012, and continuing until
11 in or about September 2013, in Los Angeles County, within the Central
12 District of California, and elsewhere, defendant VARDUMYAN, together
13 with others known and unknown to the Grand Jury, knowingly,
14 willfully, and with intent to defraud, executed a scheme and
15 artifice: (a) to defraud a health care benefit program, namely,
16 Medicare, as to material matters in connection with the delivery of
17 and payment for health care benefits, items, and services; and (b) to
18 obtain money from Medicare by means of material false and fraudulent
19 pretenses and representations and the concealment of material facts
20 in connection with the delivery of and payment for health care
21 benefits, items, and services.

22 **C. THE FRAUDULENT SCHEME**

23 14. The fraudulent scheme operated, in substance, in the
24 following manner:

25 a. Co-schemers known as marketers recruited and brought
26 Medicare beneficiaries to the Angeleno Clinic, often with the promise
27 of free, medically unnecessary DME, and free food.

1 b. Once at the Angeleno Clinic, the beneficiaries
2 presented their personal information, including their Medicare
3 identification cards and HICNs.

4 c. Defendant VARDUMYAN arranged for the issuance of, and
5 sometimes directed PA B.C. to sign, prescriptions and orders for
6 medically unnecessary: (1) diagnostic tests, including ultrasounds,
7 spirometry tests, nerve conduction velocity studies ("NCVs"), and
8 sleep studies; (2) DME; and (3) home health services.

9 d. Defendant VARDUMYAN arranged for L.T., who was neither
10 a licensed physician nor PA, to treat beneficiaries at the Angeleno
11 Clinic and then instructed PA B.C. to sign the medical charts,
12 prescriptions, and other orders for the beneficiaries treated by L.T.
13 so that the Angeleno Clinic could falsely represent that PA B.C. had
14 treated these beneficiaries and submit claims to Medicare for these
15 services under PA B.C.'s Medicare provider number.

16 e. As defendant VARDUMYAN then well knew would happen and
17 intended to happen, the Angeleno Clinic submitted claims to Medicare
18 for office visits and diagnostic tests, such as ultrasounds,
19 electrocardiograms ("EKGs"), and spirometry tests under the Medicare
20 provider number of Dr. R.T., Dr. P.D., or B.C., even though, as
21 defendant VARDUMYAN then well knew, these services were not medically
22 necessary or did not otherwise meet Medicare's reimbursement
23 requirements.

24 f. As defendant VARDUMYAN then well knew would happen and
25 intended to happen, the Angeleno Clinic referred the orders and
26 prescriptions for DME, diagnostic tests such as NCVs and sleep
27 studies, and home health services to other Medicare providers --
28 including DME supply companies, IDTFs, and home health agencies --

1 which, in turn, billed Medicare for the medically unnecessary items
2 and services that had been ordered and prescribed, but were often
3 never provided or performed.

4 15. Between in or about September 2012 and in or about
5 September 2013, the Angeleno Clinic billed Medicare and was paid by
6 Medicare as described in paragraph 3. During that same time period,
7 other Medicare providers - including DME supply companies, IDTFs, and
8 home health agencies - billed Medicare for DME, diagnostic tests such
9 as NCVs and sleep studies, and home health services and were paid for
10 those claims by Medicare as described in paragraph 4.

11 **D. EXECUTIONS OF THE FRAUDULENT SCHEME**

12 16. On or about the dates set forth below, within the Central
13 District of California, and elsewhere, defendant VARDUMYAN, together
14 with others known and unknown to the Grand Jury, knowingly and
15 willfully executed and attempted to execute the fraudulent scheme

16 ///

17 ///

18 ///

described above, by submitting and causing to be submitted to Medicare the following false and fraudulent claims:

| COUNT | APPROXIMATE DATE CLAIM SUBMITTED | BENEFICIARY | APPROXIMATE AMOUNT CLAIMED | CLAIM NO. |
|-------|----------------------------------|-------------|----------------------------|-----------------|
| ONE | 5/3/2013 | C.M. | \$930.00 | 551113123368790 |
| TWO | 5/7/2013 | M.P. | \$735.00 | 551813127302860 |
| THREE | 6/14/2013 | R.R. | \$945.00 | 551113165872450 |
| FOUR | 6/14/2013 | A.A. | \$910.00 | 551113165872350 |
| FIVE | 6/21/2013 | M.F. | \$915.00 | 551113172547130 |
| SIX | 7/16/2013 | M.M | \$905.00 | 551813197030720 |
| SEVEN | 8/1/2013 | H.F. | \$650.00 | 551113213574010 |

A TRUE BILL

Foreperson

EILEEN M. DECKER
United States Attorney

LAWRENCE S. MIDDLETON
Assistant United States Attorney
Chief, Criminal Division



LIZABETH A. RHODES
Assistant United States Attorney
Chief, General Crimes Section

WILLIAM A. CROWFOOT
Assistant United States Attorney
Deputy Chief, General Crimes
Section

JULIAN L. ANDRÉ
Assistant United States Attorney
General Crimes Section

United States District Court
Central District of California

UNITED STATES OF AMERICA vs.

Docket No. CR 16-433 DSF

Defendant Knarik Vardumyan
akas: _____

Social Security No. 0 2 1 6
(Last 4 digits)

JUDGMENT AND PROBATION/COMMITMENT ORDER

In the presence of the attorney for the government, the defendant appeared in person on this date.

| MONTH | DAY | YEAR |
|-------|-----|------|
| 10 | 2 | 2017 |

COUNSEL

George G. Mgdesyan, Retained

(Name of Counsel)

PLEA

GUILTY, and the court being satisfied that there is a factual basis for the plea. **NOLO** **NOT**
CONTENDERE **GUILTY**

FINDING

There being a finding/verdict of **GUILTY**, defendant has been convicted as charged of the offense(s) of:

18 U.S.C. § 1347: Healthcare Fraud - Counts 1 and 2 of the Indictment

**JUDGMENT
AND PROB/
COMM
ORDER**

The Court asked whether there was any reason why judgment should not be pronounced. Because no sufficient cause to the contrary was shown, or appeared to the Court, the Court adjudged the defendant guilty as charged and convicted and ordered that: Pursuant to the Sentencing Reform Act of 1984, it is the judgment of the Court that defendant, Knarick Vardumyan, is hereby committed on Counts 1 and 2 of the Indictment to the custody of the Bureau of Prisons to be imprisoned for a term of 37 months. This term consists of 37 months on each of Counts 1 and 2 of the Indictment to be served concurrently.

On release from imprisonment, the defendant shall be placed on supervised release for a term of three years. This term consists of three years on each of Counts 1 and 2 of the Indictment, all such terms to run concurrently under the following terms and conditions:

1. The defendant shall comply with the rules and regulations of the United States Probation Office, General Order 05-02, and General Order 01-05, including the three special conditions delineated in General Order 01-05;
2. The defendant shall refrain from the use of alcohol and shall submit to breathalyzer testing, not to exceed (8) tests per month, to determine if the defendant has consumed alcohol;
3. The defendant shall participate in an outpatient substance abuse treatment and counseling program that includes urinalysis, breath or sweat patch testing, as directed by the Probation Officer. The defendant shall abstain from using alcohol and illicit drugs, and from abusing prescription medications during the period of supervision;
4. The defendant shall participate in mental health treatment, which may include evaluation and counseling, until discharged from the treatment by the treatment providers, with the approval of the Probation Officer;
5. As directed by the Probation Officer, the defendant shall pay all or part of the costs of The Court-ordered treatment to the aftercare contractors during the period of community supervision, pursuant to 18 U.S.C. § 3672. The defendant shall provide payment and proof of payment as directed by the Probation Officer;
6. During the period of community supervision the defendant shall pay the special assessment and restitution in accordance with this judgment's orders pertaining to such payment;
7. The defendant shall not obtain or possess any driver's license, Social Security number, birth certificate, passport or any other form of identification in any name, other than the defendant's true legal name; nor shall the defendant use, for any purpose or in any

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manner, any name other than her true legal name or names without the prior written approval of the Probation Officer;

- 8. The defendant shall not engage, as whole or partial owner, employee or otherwise, in any business involving federally funded health insurance or entitlement programs, without the express approval of the Probation Officer prior to engagement in such employment. Further, the defendant shall provide the Probation Officer with access to any and all business records, client lists and other records pertaining to the operation of any business owned, in whole or in part, by the defendant, as directed by the Probation Officer;
- 9. The defendant shall not be employed in any position that requires licensing or certification by any local, state or federal agency without prior approval of the Probation Officer;
- 10. The defendant shall cooperate in the collection of a DNA sample from the defendant;
- 11. The defendant shall apply monies received from income tax refunds to the outstanding Court-ordered financial obligation. In addition, the defendant shall apply all monies received from lottery winnings, inheritance, judgments, and any anticipated or unexpected financial gains to the outstanding Court-ordered financial obligation.

The Court authorizes the Probation Office to disclose the Presentence Report to the substance abuse treatment provider to facilitate the defendant's treatment for narcotic addiction or drug dependency or any mental health related issues. Further redisclosure of the Presentence Report by the treatment provider is prohibited without the consent of the sentencing judge.

The Court authorizes the Probation Office to disclose the Presentence Report and any previous mental health evaluations or reports, to the treatment provider. The treatment provider may provide information (excluding the Presentence report), to State or local social service agencies (such as the State of California, Department of Social Service), for the purpose of the client's rehabilitation

It is ordered that the defendant shall pay to the United States a special assessment of \$200, which is due immediately. Any unpaid balance shall be due during the period of imprisonment, at the rate of not less than \$25 per quarter, and pursuant to the Bureau of Prisons' Inmate Financial Responsibility Program.

It is ordered that the defendant shall pay restitution in the total amount of \$1,711,789 pursuant to 18 U.S.C. § 3663 A.

The amount of restitution ordered shall be paid as follows:

| <u>Victim</u> | <u>Amount</u> |
|--|---------------|
| Centers for Medicare and Medicaid Services | \$1,711,789 |

Restitution will be due during the period of imprisonment, at the rate of not less than \$25 per quarter, and pursuant to the Bureau of Prisons' Inmate Financial Responsibility Program. If any amount of the restitution remains unpaid after release from custody, nominal monthly payments of at least 10% of defendant's gross monthly income but not less than \$100, whichever is greater, shall be made during the period of supervised release and shall begin 30 days after the commencement of supervision. Nominal restitution payments are ordered as the Court finds that the defendant's economic circumstances do not allow for either immediate or future payment of the amount ordered.

Pursuant to 18 U.S.C. § 3612(f)(3)(A), interest on the restitution ordered is waived because the defendant does not have the ability to pay interest. Payments may be subject to penalties for default and delinquency pursuant to 18 U.S.C. § 3612(g).

The defendant shall comply with General Order No. 01-05.

All fines are waived as the Court finds that the defendant has established that she is unable to pay and is not likely to become able to pay any fine.

The Court grants the government's oral motion to dismiss the remaining counts of the Indictment as to this defendant.

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It is further ordered that the defendant surrender herself to the institution designated by the Bureau of Prisons at or before 12 noon, on January 8, 2018. In the absence of such designation, the defendant shall report on or before the same date and time, to the United States Marshal located at the Roybal Federal Building, 255 East Temple Street, Los Angeles, California 90012.

The Court recommends that defendant be incarcerated at CI Taft.

The Court recommends that defendant be allowed to participate in the Bureau of Prisons 500 hour drug program.

The Court advised the defendant of the right to appeal this judgment.

SENTENCING FACTORS: The sentence is based on the factors set forth in 18 U.S.C. §3553, including the applicable sentencing range set forth in the guidelines, as more particularly reflected in the court reporter's transcript.

In addition to the special conditions of supervision imposed above, it is hereby ordered that the Standard Conditions of Probation and Supervised Release within this judgment be imposed. The Court may change the conditions of supervision, reduce or extend the period of supervision, and at any time during the supervision period or within the maximum period permitted by law, may issue a warrant and revoke supervision for a violation occurring during the supervision period.

10-2-17

Date



U. S. District Judge/Magistrate Judge

It is ordered that the Clerk deliver a copy of this Judgment and Probation/Commitment Order to the U.S. Marshal or other qualified officer.

Clerk, U.S. District Court

10-2-17

Filed Date

By /s/ Debra Plato

Deputy Clerk

The defendant shall comply with the standard conditions that have been adopted by this court (set forth below).

STANDARD CONDITIONS OF PROBATION AND SUPERVISED RELEASE

While the defendant is on probation or supervised release pursuant to this judgment:

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1. The defendant shall not commit another Federal, state or local crime;
2. the defendant shall not leave the judicial district without the written permission of the court or probation officer;
3. the defendant shall report to the probation officer as directed by the court or probation officer and shall submit a truthful and complete written report within the first five days of each month;
4. the defendant shall answer truthfully all inquiries by the probation officer and follow the instructions of the probation officer;
5. the defendant shall support his or her dependents and meet other family responsibilities;
6. the defendant shall work regularly at a lawful occupation unless excused by the probation officer for schooling, training, or other acceptable reasons;
7. the defendant shall notify the probation officer at least 10 days prior to any change in residence or employment;
8. the defendant shall refrain from excessive use of alcohol and shall not purchase, possess, use, distribute, or administer any narcotic or other controlled substance, or any paraphernalia related to such substances, except as prescribed by a physician;
9. the defendant shall not frequent places where controlled substances are illegally sold, used, distributed or administered;
10. the defendant shall not associate with any persons engaged in criminal activity, and shall not associate with any person convicted of a felony unless granted permission to do so by the probation officer;
11. the defendant shall permit a probation officer to visit him or her at any time at home or elsewhere and shall permit confiscation of any contraband observed in plain view by the probation officer;
12. the defendant shall notify the probation officer within 72 hours of being arrested or questioned by a law enforcement officer;
13. the defendant shall not enter into any agreement to act as an informer or a special agent of a law enforcement agency without the permission of the court;
14. as directed by the probation officer, the defendant shall notify third parties of risks that may be occasioned by the defendant's criminal record or personal history or characteristics, and shall permit the probation officer to make such notifications and to conform the defendant's compliance with such notification requirement;
15. the defendant shall, upon release from any period of custody, report to the probation officer within 72 hours;
16. and, for felony cases only: not possess a firearm, destructive device, or any other dangerous weapon.

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The defendant will also comply with the following special conditions pursuant to General Order 01-05 (set forth below).

STATUTORY PROVISIONS PERTAINING TO PAYMENT AND COLLECTION OF FINANCIAL SANCTIONS

The defendant shall pay interest on a fine or restitution of more than \$2,500, unless the court waives interest or unless the fine or restitution is paid in full before the fifteenth (15th) day after the date of the judgment pursuant to 18 U.S.C. §3612(f)(1). Payments may be subject to penalties for default and delinquency pursuant to 18 U.S.C. §3612(g). Interest and penalties pertaining to restitution, however, are not applicable for offenses completed prior to April 24, 1996.

If all or any portion of a fine or restitution ordered remains unpaid after the termination of supervision, the defendant shall pay the balance as directed by the United States Attorney's Office. 18 U.S.C. §3613.

The defendant shall notify the United States Attorney within thirty (30) days of any change in the defendant's mailing address or residence until all fines, restitution, costs, and special assessments are paid in full. 18 U.S.C. §3612(b)(1)(F).

The defendant shall notify the Court through the Probation Office, and notify the United States Attorney of any material change in the defendant's economic circumstances that might affect the defendant's ability to pay a fine or restitution, as required by 18 U.S.C. §3664(k). The Court may also accept such notification from the government or the victim, and may, on its own motion or that of a party or the victim, adjust the manner of payment of a fine or restitution-pursuant to 18 U.S.C. §3664(k). See also 18 U.S.C. §3572(d)(3) and for probation 18 U.S.C. §3563(a)(7).

Payments shall be applied in the following order:

1. Special assessments pursuant to 18 U.S.C. §3013;
2. Restitution, in this sequence:
 - Private victims (individual and corporate),
 - Providers of compensation to private victims,
 - The United States as victim;
3. Fine;
4. Community restitution, pursuant to 18 U.S.C. §3663(c); and
5. Other penalties and costs.

SPECIAL CONDITIONS FOR PROBATION AND SUPERVISED RELEASE

As directed by the Probation Officer, the defendant shall provide to the Probation Officer: (1) a signed release authorizing credit report inquiries; (2) federal and state income tax returns or a signed release authorizing their disclosure; and (3) an accurate financial statement, with supporting documentation as to all assets, income and expenses of the defendant. In addition, the defendant shall not apply for any loan or open any line of credit without prior approval of the Probation Officer.

The defendant shall maintain one personal checking account. All of defendant's income, "monetary gains," or other pecuniary proceeds shall be deposited into this account, which shall be used for payment of all personal expenses. Records of all other bank accounts, including any business accounts, shall be disclosed to the Probation Officer upon request.

The defendant shall not transfer, sell, give away, or otherwise convey any asset with a fair market value in excess of \$500 without approval of the Probation Officer until all financial obligations imposed by the Court have been satisfied in full.

These conditions are in addition to any other conditions imposed by this judgment.

RETURN

I have executed the within Judgment and Commitment as follows:

Defendant delivered on _____ to _____

Defendant noted on appeal on _____

Defendant released on _____

Mandate issued on _____

Defendant's appeal determined on _____

Defendant delivered on _____ to _____

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at _____
the institution designated by the Bureau of Prisons, with a certified copy of the within Judgment and Commitment.

United States Marshal

By _____

Date

Deputy Marshal

CERTIFICATE

I hereby attest and certify this date that the foregoing document is a full, true and correct copy of the original on file in my office, and in my legal custody.

Clerk, U.S. District Court

By _____

Filed Date

Deputy Clerk

FOR U.S. PROBATION OFFICE USE ONLY

Upon a finding of violation of probation or supervised release, I understand that the court may (1) revoke supervision, (2) extend the term of supervision, and/or (3) modify the conditions of supervision.

These conditions have been read to me. I fully understand the conditions and have been provided a copy of them.

(Signed) _____
Defendant

Date

U. S. Probation Officer/Designated Witness

Date