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FILED
CLERK, U.S. DISTRICT COURT

SEP - 8 2015

CENTRAL DISTRICT OF CALIFORNIA
DEPUTY

15 **IN THE UNITED STATES DISTRICT COURT**
16 **FOR THE CENTRAL DISTRICT OF CALIFORNIA**
17 *Western Division (Los Angeles)*

18 **UNITED STATES OF**
19 **AMERICA AND THE STATE**
20 **OF CALIFORNIA**
21 **EX REL. NEYIRYS OROZCO**

22 **Plaintiffs,**

23 **v.**

24 **SHLOMO RECHNITZ,**
25 **JONATHAN WEISS,**
26 **RIVERSIDE HEALTHCARE**
27 **WELLNESS CENTRE, LLC,**
28 **ALTA VISTA HEALTHCARE**
& WELLNESS CENTRE,
CITRUS WELLNESS CENTRE,
LLC,
RECHNITZ CITRUS, GP
BRIUS MANAGEMENT CO.
INC.,

)
)
) **Case No. CV 15-6177 AB (JEMx)**
) **Complaint for Violations of the**
) **Federal False Claims Act, 31 U.S.C.**
) **§§ 3729 et seq., The Stark Act, 42**
) **U.S.C. § 1395nn(a)(1), and The Anti-**
) **Kickback Statute, 42 U.S.C. §1320a-**
) **7b(b), and The California False**
) **Claims Act, Cal. Gov't code § 12650**
) **et seq.**

) **FILED UNDER SEAL**
) **Jury Trial Demanded**

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1 BRIUS LLC, SOL)
 2 MANAGEMENT, LLC, DOES)
 3 1-100, ROCKPORT)
 4 HEALTHCARE SERVICES,)
 5 ROCKPORT, GAMAL GHALY,)
 6 JOEL PENGSON, GHASAN)
 7 TABEL, TWIN MED LLC.

Defendants.

PLAINTIFF'S FIRST AMENDED COMPLAINT

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 - e. Each Rockport facility pays certain doctors to serve as “Medical Directors” and “Quality Assurance Directors.”30
 - f. Rockport employees have control over Riverside’s primary bank account.32

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Introduction

1
2 1. Qui tam relator Neyirys Orozco (“Relator” or “Orozco”), by and through
3
4 her attorneys, individually and on behalf of the United States of America and the
5
6 State of California, files this Complaint against Shlomo Rechnitz (“Rechnitz”);
7
8 Jonathan Weiss (“Weiss”); Rechnitz Citrus GP (“Rechnitz Citrus”); Citrus Wellness
9
10 Center, LLC (“Citrus Wellness”); Riverside Healthcare & Wellness Centre, LLC,
11
12 (“Riverside”); Alta Vista Healthcare and Wellness Centre (“Alta Vista”); Brius
13
14 Management Co. Inc. (“Brius Management”); Brius LLC (“Brius”); Sol
15
16 Management, LLC (“Sol”); Does 1-100; Rockport Healthcare Services
17
18 (“Rockport”); Dr. Gamal Ghaly (“Dr. Ghaly”), Dr. Joel Pengson (“Dr. Pengson”),
19
20 Dr. Ghasan Tabel (“Dr. Tabel”), and Twin Med, LLC (“Twin Med”) (hereinafter
21
22 collectively referred to as “Defendants”)¹ to recover damages, penalties, and
23
24 attorneys’ fees for violations of the federal False Claims Act, 31 U.S.C. §§ 3729 *et*
25
26 *seq.*; The Stark Act, 42 U.S.C. § 1395nn(a)(1); The Anti-Kickback Statute, 42
27
28 U.S.C. §1320a-7b(b); and The California False Claims Act, Cal. Gov’t Code §
12650 *et seq.*

¹ Shlomo Rechnitz; Jonathan Weiss; Rechnitz Citrus GP; Citrus Wellness Center, LLC; Riverside Healthcare & Wellness Centre, LLC; Alta Vista Healthcare and Wellness Centre; Brius Management Co. Inc.; Brius LLC; Sol Management, LLC; Does 1-100; Rockport Healthcare Services; Twin Med, LLC are hereinafter referred to as “Corporate Defendants.” Thus, “Corporate Defendants” refers to all entities and people linked to Shlomo Rechnitz but do not include Drs. Gamal Ghaly, Joel Pengson, and Ghasan Tabel.

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1 2. Beginning in February 2012, Orozco worked at Riverside (because
2 Riverside is partially owned by Alta Vista, it is often also referred to as Alta Vista),
3 a skilled nursing facility located in Southern California.
4

5 3. Riverside is one facility within an extremely complex maze of
6 corporations—all of which lead back to its owner, Shlomo Rechnitz.
7

8 4. During Orozco’s time at Riverside, she witnessed a whole host of
9 fraudulent activities, all of which are a part of Defendants’ efforts to collect as
10 much Medicare reimbursement funds as possible.
11

12 5. Rechnitz directs the Corporate Defendants to engage in many, if not all,
13 of these fraudulent activities.
14

15 6. Corporate Defendants give doctors and hospital case managers almost
16 any type of incentive – including cash, gifts, attractive women, and dinners – in
17 exchange for Medicare patient referrals.
18

19 7. Additionally, several doctors have illegal financial relationships with the
20 Corporate Defendants, in the form of a salaries and bonuses, in exchange for
21 Medicare patient referrals.
22

23 8. Once Defendants are able to secure patients at their facilities, they
24 consistently place patients on the highest levels of therapy possible, when, in almost
25 all instances, the patients require little to no therapy.
26
27
28

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1 9. Defendants direct staff to treat Medicare patients as VIPs to the
2 exclusion of all other patients.

3
4 10. Accordingly, Defendants give Medicare patients whatever they want –
5 food, money, payment for rent, waiver of required medical costs, and other
6 incentives – to persuade them to stay at the facility as long as possible.

7
8 11. Defendants also submit materially false statements and information to
9 Medicare.

10
11 12. Defendants alter paperwork, direct their staff to pretend to be patients to
12 ensure that benefits continue, and falsify patients' conditions to recertify patients
13 for continued care.

14
15 13. Defendants demonstrate their intent to engage in such rampant
16 fraudulent behavior in several ways.

17
18 14. Defendants hold daily meetings in which management discusses the
19 current status of all Medicare patients and how to discourage Medicare patients
20 from leaving the facility.

21
22 15. Defendants also offer Medicare enrollment goals and rewards to their
23 managers and staff.

24
25 16. When Orozco requested that the State of California investigate matters
26 at Riverside, the State and Riverside did nothing to change Riverside's practices.
27
28

1 17. Finally, the Corporate Defendants unlawfully retaliated against Orozco
2 after learning that Orozco filed complaints with federal and state authorities
3 regarding Riverside's unlawful practices.
4

5 **Jurisdiction and Venue**

6 18. This Court has subject matter jurisdiction over this action under 31
7 U.S.C. §§ 3730 and 3732.
8

9 19. This Court has personal jurisdiction over Defendants pursuant to 31
10 U.S.C. § 3732 (a) because Defendants transacts business in this judicial district.
11

12 20. This Court has supplemental jurisdiction over Orozco's State law claim
13 pursuant to 28 U.S.C. § 1367, because it is so related to her claims arising under
14 federal law that they form part of the same case or controversy.
15

16 21. Venue is proper in this District pursuant to 31 U.S.C. § 3732 (a) and
17 under 28 U.S.C. § 1391(c) because Defendants transacts business in the Los
18 Angeles Division of this judicial district and because several of the acts alleged
19 herein occurred in the Central District of California.
20
21

22 **Parties**

23 ***Relator Neyirys Orozco***

24 22. Relator Neyirys Orozco is currently a resident of Perris, California.
25
26
27
28

1 23. Orozco represents an “original source” of this information within the
2 meaning of 31 U.S.C. § 3730(e)(4)(B), and states that to her knowledge, the
3 information contained herein has not been publicly disclosed.
4

5 24. On or around February 14, 2012, Riverside hired Orozco as its Accounts
6 Payable Representative and Payroll Coordinator. In June 2013, Riverside’s
7 administrator at the time, Micah Rhead, promoted Orozco from the position of
8 Accounts Payable Representative to the position of Director of Environmental
9 Services.
10

11 25. In this role, Orozco was in charge of housekeeping and laundry
12 employees.
13
14

15 26. In or about June 2014, Riverside again promoted Orozco to the position
16 of Business Office Manager.
17

18 27. In June 2014, David Rodriguez (“Rodriquez”) replaced Orozco’s
19 position as Riverside’s Accounts Payable Representative.
20

21 28. In the role of Business Office Manager, Orozco was responsible for a
22 wide variety of tasks including: billing to insurance companies, payroll, supervising
23 certain accounting duties, preparing reports on current patients, managing the trust
24 accounts of the patients, managing Riverside’s bank accounts, and reviewing the
25 admission of new patients.
26
27
28

1 29. Orozco also worked at other facilities, attended daily meetings, and
2 occasionally purchased marketing supplies from Sam’s Club.
3

4 ***Defendants Shlomo Rechnitz; Rechnitz Citrus GP; Brius Management Co, Inc.;***
5 ***Brius, LLC, Sol Management, LLC; and Does 1-100***

6
7 30. The Corporate Defendants’ complex corporate structure traces back to
8 one person: Shlomo Rechnitz.

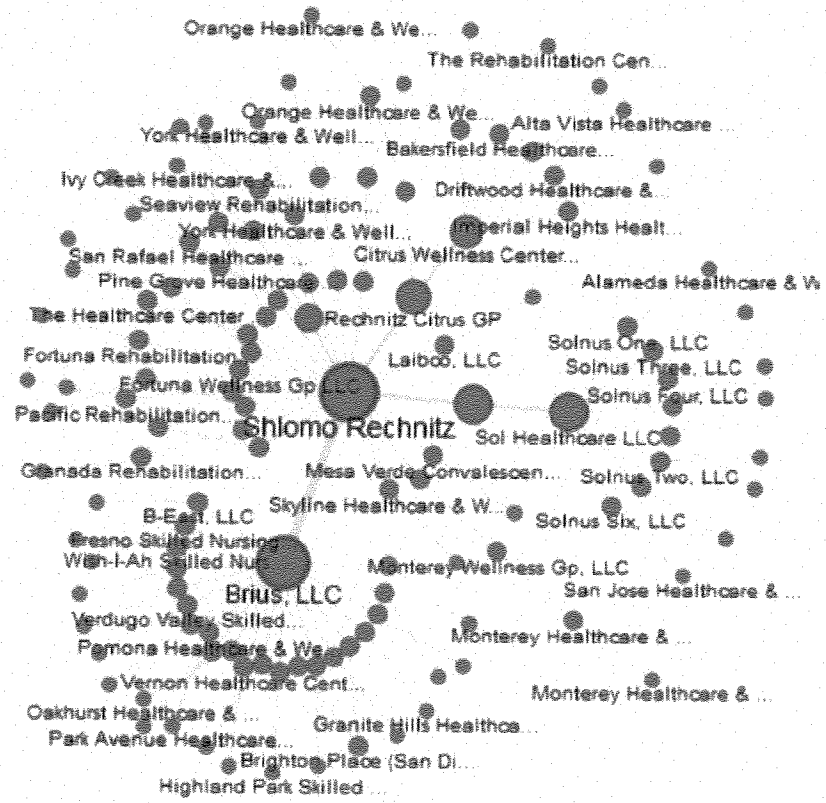
9
10 31. Rechnitz, California’s biggest nursing homeowner, has a maze of more
11 than eighty limited liability corporations tied to him and more than fifty nursing
12 homes under his ownership and control.
13

14 32. The Sacramento Bee newspaper conducted an investigation in
15 Rechnitz’s ownership of nursing homes and created the following diagram:²
16
17
18
19
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27

28 ² This diagram is available at: <http://www.sacbee.com/news/investigations/nursing-homes/article3586406.htm>.

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33. Rechnitz owns Defendant Rechnitz Citrus GP.

34. Upon information and belief, Rechnitz, Brius Management Co, Inc., Brius, LLC, Sol Management, LLC, and Does 1-100, own more than fifty facilities which are uniformly owned, operated, managed or controlled by Rechnitz.

35. Riverside Healthcare & Wellness Centre, LLC, the facility where Orozco worked, is among these facilities and will be further discussed below.

36. In 2014, when Rechnitz sought to buy several distressed nursing homes out of bankruptcy, he filed internally prepared 2013 combined financials for limited liability companies of which Brius Management is the managing member.

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1 37. In these filings, Rechnitz reported Brius Management’s operating
2 revenue of \$178.9 million and net income of \$27.4 million.

3
4 38. In a separate filing, under the title of “Brius Healthcare/Shlomo
5 Rechnitz” the company reported overall revenue of \$611 million and net income of
6 \$77 million.

7
8 39. However, in 2014, Brius LLC told California auditors that it had no
9 assets or income.

10
11 ***Defendant Twin Med LLC***

12 40. Twin Med is a medical device supply company based in California but
13 with warehouses in Florida and other states.

14
15 41. Twin Med was co-founded by Rechnitz and his brother, Steve Rechnitz.

16 42. Twin Med parent company is based in California.

17
18 43. Twin Med has a Florida subsidiary that leases more than 50,000 square
19 feet of warehouse space located at 2126 West Landstreet Road in Orlando, Florida.

20
21 44. Additionally, six trucks are titled and registered to Twin Med LLC at the
22 same Orlando, Florida location.

23 45. In more than a dozen federal campaign finance reports, Rechnitz
24 disclosed “TwinMed LCC” or “Twin Med LLC” as an employer.

25
26 46. Rechnitz instructs the Corporate Defendants to order almost all of their
27 medical supplies from Twin Med’s warehouse located in Orlando, Florida.
28

1 47. Riverside provides each patient with a daily allowance, approximately
2 two dollars per patient, for various nursing supplies such as toothbrushes, combs,
3 urinals, oxygen tanks, and bed mats.
4

5 48. Rechnitz, through Twin Med, also sells wheelchairs, beds and other
6 medical equipment to Riverside but these supplies are not included in the patients'
7 daily allowance.
8

9 49. Riverside management sets the amount of the daily allowance and this
10 amount changes monthly depending on how well Riverside did financially the
11 previous month.
12

13 50. At Riverside alone, the patients' daily allowance amounts to
14 approximately \$8,000 to \$9,000 worth of supplies per month purchased from Twin
15 Med.
16

17 51. Orozco believes that Rechnitz requires his other facilities also purchase
18 their medical supplies from Twin Med.
19

20 52. Riverside's Central Supply Director, Yocelin Perez ("Perez"), is
21 responsible for keeping an inventory of these supplies, and tracking how many
22 supplies each patient uses.
23

24 53. Instead, Rockport's Vice President of Operations Aneta Ayrapetyan
25 ("Ayrapetyan") instructs Perez to make up the number of supplies each patient used
26 and order additional supplies from Twin Med.
27
28

1 54. Perez often complains that she needed a legitimate inventory system but
2 Ayrapetyan told her to make the charges seem realistic.

3
4 ***Defendant Rockport***

5 55. Defendant Rockport Healthcare Services, a California-based
6 management group, is located in Los Angeles, California and also has corporate
7 offices in the San Francisco area.

8
9 56. Rockport was located at 110 South Fairfax Avenue in Los Angeles but
10 later moved to 5900 Wilshire Boulevard.

11 57. Rockport is an administrative services company owned by Rechnitz's
12 accountant, Steve Stroll and his wife, Marsha Stroll.

13
14
15 ***Defendants Riverside, Alta Vista, Jonathan Weiss, and Citrus Wellness***

16 58. Rockport owns Riverside Healthcare & Wellness Centre, LLC, along
17 with several other skilled nursing home facilities in Southern California, amounting
18 to approximately 1,000 beds.

19
20
21 59. In or about February 2012, Riverside Administrator Chris Romney told
22 Orozco that Rockport was the parent company of Riverside.

23 60. However, in or around November 2014 Rockport Vice President of
24 Operations Aneta Ayrapetyan told Orozco that if the State of California asked,
25 Rockport was only providing administrative services to Riverside.
26
27
28

1 61. Riverside is a ninety-nine bed skilled nursing facility that was converted
2 to a short-term rehabilitation facility about three years ago.

3
4 62. Riverside provides rehabilitation therapy as well as nursing services to
5 patients.

6 63. Riverside employees often travel to Rockport for training.

7
8 64. From June 1, 2013 to May 31, 2013, Riverside posted a \$1.4 million
9 profit on \$12 million in net patient revenue.

10
11 65. During this time, Riverside spent more than \$1 million on transactions
12 with related parties, several of which are believed to be connected to Rechnitz.

13
14 66. Since about February 2012, Riverside had approximately twenty-five to
15 forty Medicare patients each month.

16
17 67. In or about March 2015, Riverside had approximately: forty to forty-five
18 Medicare patients; fifty Medi-Cal patients; one private pay patient; and about three
19 to four HMO patients.

20
21 68. The Rockport Vice President of Operations, Aneta Ayrapetyan, manages
22 several Rockport-owned facilities, including Riverside, Skyline, Fresno, Orange,
23 Montecito, North Point Healthcare, Mesa Verde, and Oakhurst.

24
25 69. In addition to Rockport's ownership of Riverside, Riverside is owned by
26 several other parties.
27
28

1 70. Rechnitz, Rechnitz Citrus GP, and Johnathan Weiss have a five percent
2 or more ownership in Riverside.

3
4 71. According to the California Department of Health, Eretz Alta Vista
5 Properties, LLC, is listed as the property owner of Riverside (and thus it appears
6 that Alta Vista owns Riverside).

7
8 72. Alta Vista, another skilled nursing home facility owned by Rechnitz, is
9 located at 9020 Garfield Street, Riverside, California.

10
11 73. California state records list Citrus Wellness Centre, LLC as Riverside's
12 parent company.

13
14 74. California state records also list two indirect owners of Riverside: Tamar
15 Rechnitz (Shlomo Rechnitz's wife) who holds a one percent stake, and Rechnitz
16 Citrus, GP, which holds a ninety-nine percent interest stake.

17
18 75. Johnathan Weiss, in addition to partially owning Riverside, has interests
19 in the following corporate entities: Orange Healthcare & Wellness Centre, LLC
20 ("Orange Healthcare"); Imperial Heights Healthcare & Wellness Centre, LLC;
21 Bakersfield Healthcare & Wellness Centre, LLC; and Royal Convalescent Hospital,
22 Inc.
23

24
25 *Defendants Dr. Ghaly, Dr. Pengson, and Dr. Tabel*
26
27
28

1 82. If the patient is in-and-out of the hospital or nursing facility several
2 times but has not stayed out of the hospital for sixty consecutive days, all inpatient
3 bills for that time will be included as part of the same benefit period.
4

5 **ii. Duration of coverage**

6 83. For the first twenty of 100 days, Medicare will pay for all covered costs,
7 which include all room and board expenses, ancillaries, skilled services, and other
8 all basic services but not television, telephone, or private room charges.
9

10 84. For days twenty-one through 100, Medicare pays eighty percent of the
11 patient's room and board expenses, ancillaries and skilled services; the patient is
12 responsible for paying a co-payment of \$157.50 per day.
13

14 85. In 2014, the copayment amount was \$152 per day; in 2015 the
15 copayment increased to \$157.50 per day.
16

17 **iii. Exhaustion of Medicare benefits**

18 86. Medicare uses a period of time called a benefit period to keep track of
19 how many days of skilled nursing facility benefits a patient uses and how many are
20 still available.
21

22 87. A benefit period begins on the day a patient starts getting inpatient
23 hospital or skilled nursing facility care.
24

25 88. A patient can receive up to 100 days of skilled nursing facility coverage
26 in a benefit period.
27
28

1 89. Once the patient uses those 100 days, the patient's benefit period must
2 end before the patient can renew his or her skilled nursing facility care benefits.

3
4 90. A patients benefit period ends when either: 1) the patient has not been in
5 a skilled nursing facility or a hospital for at least sixty days in a row; or 2) the
6 patient remains in a skilled nursing home facility but has not received skilled care
7 there for at least sixty days in a row (Defendants often call this sixty day time
8 period the "sixty day wellness period").
9

10
11 91. There is no limit to the number of benefit periods a patient can have.

12 92. However, once a benefit period ends (which, as described above
13 includes the sixty day wellness period), the patient must have another three day
14 qualifying hospital stay to generate another 100 days of skilled nursing facility
15 benefits.
16

17
18 **b. RUG levels**

19 93. The Prospective Payment System ("PPS") is a method of reimbursement
20 in which Medicare payment is made based on a predetermined, fixed amount.
21

22 94. Under the PPS system, the amount of payment for a particular service is
23 based on how that service is categorized.
24

25 95. Rehabilitation therapy is classified by different Resource Utilization
26 Group ("RUG") levels.
27
28

1 96. The PPS system categorizes the RUG levels into separate levels; some
2 of which pertain to rehabilitation services, while others pertain to nursing services.
3

4 97. Patients requiring physical, occupational, and/or speech therapy are
5 generally assigned to the special rehabilitation category, which is the type of
6 therapy that Defendants provide to their Medicare Part A patients.
7

8 98. From this special rehabilitation category, the rehabilitation levels are
9 further broken up into five sub-categories: Low (RLx), Medium (RMx), High
10 (RHx), Very High (RVx), Ultra High (RUx).
11

12 99. The first two letters of sub-category pertain to the rehabilitation level
13 (For example, RU means Ultra High.).
14

15 100. The third letter of the sub-category pertains to the level of nursing
16 required, these are usually denoted by the letters x, g, or l.
17

18 101. The level of therapy usually corresponds with the level of nursing
19 assistance required for in basic functions (also called Average Daily Living or
20 "ADL" scores).
21

22 102. Thus, if a patient requires a high level of ADL nursing care, then that
23 patient will likely also require a high level of rehabilitation therapy.
24

25 103. The five sub-categories vary in intensity, ranging from as low as
26 seventy-five minutes of rehabilitation therapy per week at the Low RUG level of
27 therapy, increasing up to 720 minutes or more per week at the Ultra-High level.
28

1 104. The RUG level determines the amount of money per day that Medicare
2 will pay for a patient's stay at the facility.

3 105. Higher RUG levels command higher Medicare reimbursements.

4 106. Generally, HMO and Medi-Cal provide lower reimbursements than
5 Medicare for the corresponding Medicare levels of treatment.
6

7
8 **i. Process for assigning RUG levels**

9 107. Assigning a patient to a particular RUG level requires a certain process.

10 108. First, the patient must have a qualifying treatment, such as a three night
11 overnight stay at a hospital.
12

13 109. Second, a doctor must write an order for the patient to attend a nursing
14 home facility, such as Riverside.
15

16 110. Usually, a patient in need of rehabilitation therapy is someone who
17 needs physical assistance (for example, a patient that breaks his or her hip).
18

19 111. However, at Riverside, Defendants admit patients suffering from other
20 ailments – such as a stomach ulcer or scabies – and place them on rehabilitation
21 therapy.
22

23 112. While the patients suffering from these conditions may have met the first
24 two qualifications (a three night overnight hospital stay and a doctor's order) such
25 patients should not be placed on rehabilitation therapy if it is not required by the
26 patient's clinical needs.
27
28

1 113. Defendants frequently place these types of in appropriate patients on
2 Ultra High rehabilitation therapy.

3
4 114. Third, in most skilled nursing home facilities, a physical therapist
5 examines the patient to determine if it is clinically appropriate to place the patient
6 on rehabilitation services.

7
8 115. At the same time, a nurse is required to evaluate the patient and
9 complete a minimum data set report (“MDS”).

10
11 116. An MDS is completed for each patient on several set days throughout
12 their stay (specifically, the 5th, 14th, 30th, 60th, and 90th day of a patient’s stay).

13
14 117. The MDS report includes the level of self-performance of the patient and
15 the support that each patient needs with eating, bed mobility, toileting, and
16 transfers; these four needs are referred to as the ADL score.

17
18 118. A lower ADL score generally represents an independent patient, while a
19 higher ADL score generally represents a totally dependent patient.

20
21 119. The MDS, which includes the ADL score, reflects the level of therapy
22 each patient receives.

23
24 120. A patient with a high ADL score, meaning the patient is nearly entirely
25 dependent on help and is a good candidate for rehab, might require Ultra High
26 rehabilitation therapy.

27
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c. Medi-Cal Regulations

121. Medi-Cal, California's Medicaid program, is a public health insurance program which provides needed health care services for low-income individuals.

122. Medi-Cal is financed equally by the State and by the federal government.

123. The California Department of Health Care Services is the state agency responsible for administering the Medi-Cal plan.

124. Because, as described above, a patient's Medicare benefits may exhaust, a patient may supplement his or her health insurance with private insurance or Medi-Cal.

d. Kickbacks and Self-Referrals

125. The Stark Act generally prohibits a physician (or their family members) from referring Medicare patients to entities in which the physician has a prohibited financial interest. *See* 42 U.S.C. § 1395nn(a)(1).

126. For the purposes of the Stark Act, a financial interest is one in which the physician has an ownership or investment interest in the entity or has a compensation arrangement with the entity. *See id.* at § 1395nn(a)(2).

127. Stark violations render the provider totally ineligible for compensation, and therefore providers are not entitled to any reimbursement from the Government, even for services that are properly performed.

1 128. The Anti-Kickback Statute prohibits any person or entity from offering
2 or paying any remuneration to induce, or reward, any person for referring,
3 recommending or arranging for the purchase of any item for which payment may be
4 made under a federally-funded health care program. 42 U.S.C. § 1320a-7b(g).
5

6 129. The Anti-Kickback Statute not only prohibits outright bribes and rebate
7 schemes, but also prohibits offering inducements or rewards that has as one of its
8 purposes to induce a physician to refer patients for services that will be reimbursed
9 by a federal health care program.
10

11 130. Compliance with the Anti-Kickback Statute is a precondition to
12 participation as a health care provider under Medicare.
13

14 131. Accordingly, claims for reimbursement for inpatient or outpatient
15 services under these programs that are the result of referrals tainted by kickbacks,
16 are false claims and are not entitled to reimbursement.
17

18
19 **I. Factual Allegations Corporate Defendants' Management Structure**
20

21 **a. Each Rockport facility has at least one administrator and one**
22 **marketer.**

23 132. Each Rockport facility has at least one, and in some instances, more than
24 one administrator that oversees the facility's day-to-day functions.
25

26 133. In general, almost all Riverside directors or management report to a
27 Rockport employee.
28

1 134. Most Riverside employees feel as though Rockport employees are their
2 supervisors.

3
4 135. Sometimes Riverside employees would go straight to Rockport's Vice
5 President of Operations Aneta Ayrapetyan or Rockport's Chief Operating Officer
6 Aaron Robin to report complaints.

7
8 136. Riverside has had several different administrators over the last few
9 years.

10
11 137. The various directors and business office managers at each facility
12 report to the facility's administrator.

13
14 138. Administrators are responsible for ensuring that department managers
15 are managing their respective departments.

16
17 139. Administrators are also responsible for marketing to Medicare patients
18 to ensure that they came to Riverside.

19 140. In 2011, Cary Von Boxtel served as Riverside's administrator.

20
21 141. From December 2011 through June 2012, Christopher Romney (Mitt
22 Romney's nephew) served as Riverside's administrator.

23
24 142. Romney left Riverside to take another administrator position at Plum
25 Healthcare.

26
27 143. From June 2012 through March 2014, Micah Rhead served as
28 Riverside's administrator.

1 144. In March 2014, Rockport promoted Rhead to Regional Administrator, a
2 position similar to Ayrapetyan's role as Vice President of Operations.

3
4 145. In early 2014, Rhead left Rockport to take another healthcare related job.

5 146. From March 2014 through September 2014, Raj Desai served as
6 Riverside's administrator.

7
8 147. Due to conflicts with Department Managers, Ayrapetyan offered Desai a
9 position at Northpoint Healthcare, another Rockport facility.

10
11 148. From September 2014 through November 2014, Cathy Campbell served
12 as the Interim Administrator at Riverside.

13
14 149. Several years ago, Campbell trained Aneta Ayrapetyan and Aaron Robin
15 to be administrators.

16
17 150. From about June 2013 to the present, Campbell has floated around and
18 worked at several other Rockport facilities including Skyline.

19
20 151. From November 2014 through May 2015, Corey Tillman served as
21 Riverside's administrator.

22
23 152. Tillman previously worked at a Country Villa Health Services facility in
24 San Bernardino that Rechnitz had recently purchased.

25
26 153. Tillman left because as she told Brenda Ponce, Assistant Business Office
27 Manager, that she could no longer handle Ayrapetyan and Robin.

28 154. Each facility under Rockport also has one marketer.

1 155. The marketers report to Joy Smith and Lynn Naivson, Rockport's
2 Regional Business Directors.

3
4 **b. Each administrator reports to Rockport's Vice President of
5 Operations.**

6 156. Each of the facility administrators reports to Rockport's Vice President
7 of Operations, Ayrapetyan.
8

9 157. Ayrapetyan has been a Vice President of Operations for Rockport the
10 entire time Orozco was employed by Riverside.
11

12 158. Ayrapetyan oversees other Rockport facilities including: Fresno, Mesa
13 Verde, Oakhurst, Montecito, Orange Healthcare, Alta Vista, and North Point
14 Healthcare & Wellness Centre.
15

16
17 **c. Rockport's Vice President of Operations reports to Rockport's
18 Chief Operating Officer.**

19 159. Ayrapetyan in turn reports to Aaron Robin, the Chief Operating Officer
20 of Rockport.
21

22 160. Robin has been the Chief Operating Officer of Rockport the entire time
23 Orozco was employed by Riverside.
24

25 161. After serving as Interim Administrator at Riverside, Campbell moved to
26 an administrator position at Skyline Healthcare, to work alongside Robin.
27
28

1 **d. Rechnitz hires certain managers at Riverside; Rockport's Vice**
2 **President of Operations, Rockport's Chief Operating Officer, and**
3 **Rockport's Regional Business Director all report to Rechnitz.**

4 162. In or around February 2011, Rechnitz directly hired Joy Smith to work
5 as Admissions Director at Riverside.

6 163. A few months later, Rechnitz promoted Smith to the position of Sales
7 and Marketing Director.
8

9 164. Around this time, Riverside Administrator Chris Romney hired Leah
10 Pennachio as the Admissions Director of Riverside.
11

12 165. In June 2013, Rechnitz promoted Smith to the position of Regional
13 Business Director for Rockport.
14

15 166. Robin, Ayrapetyan and Smith report directly to Rechnitz, the owner of
16 the entire empire.
17

18 167. Additionally, Ayrapetyan often consults with Rechnitz for his approval
19 on certain major purchases or raises.
20

21 **e. Each Rockport facility pays certain doctors to serve as "Medical**
22 **Directors" and "Quality Assurance Directors."**

23 168. Each facility also has a number of doctors who serve as "Medical
24 Directors" and "Quality Assurance Directors" for the facility even though they are
25 not employed by the facility, or Rockport.
26
27
28

1 169. As the medical directors are not employees of Rockport, they do not
2 report directly to anyone in Rockport's management chain.

3
4 170. During Orozco's time at Riverside, Dr. Gamal Ghaly, Dr. Joel Pengson,
5 and Dr. Ghasan Tabel were Riverside's medical directors.

6
7 171. All three doctors also serve as physicians at the following nearby
8 hospitals: Parkview Community Hospital, Riverside Regional Medical Center and
9 Riverside Community Hospital.

10
11 172. The doctors are primarily responsible for examining patients at
12 Riverside, but the doctors often did not come to Riverside to examine patients.

13
14 173. Dr. Pengson was Riverside's Quality and Assurance Director.

15 174. In this role, Dr. Pengson met with Riverside directors on a monthly basis
16 to discuss various issues in the facility, including patient concerns, housekeeping,
17 dietary needs, admissions, and any other issues relevant to the facility's quality
18 measures.
19

20
21 175. Riverside, in addition to paying Drs. Ghaly, Pengson, and Tabel monthly
22 salaries, would also pay these doctors cash bonuses as incentives to refer more
23 Medicare patients.
24

25 176. Rockport provided Drs. Ghaly, Pengson, and Tabel with 1099s for their
26 salaries.
27
28

1 177. Riverside's Administrator Micah Reed told Orozco that it was illegal to
2 give cash to doctors so to not document providing cash to the doctors.

3
4 178. Rockport's Regional Business Director Joy Smith initially asked Orozco
5 for cash to provide to the doctors for their bonuses but Orozco did not have enough
6 cash in the petty cash funds so Smith used her own money and then sought
7 reimbursement from Riverside.
8

9 179. In or about June or July 2011, Ayrapetyan asked Orozco for cash from
10 the petty cash. Orozco told Ayrapetyan that she needed a receipt for her records.
11

12 180. Since the cash was being used to pay doctors, Ayrapetyan told Orozco to
13 "get creative" and make up receipts reflecting that Riverside was purchasing
14 wheelchairs or purchasing food for the staff.
15

16 181. When Rhead began as Riverside's Administrator in June 2012, he was
17 aware that Riverside was paying doctors cash and creating fake receipts but was not
18 concerned as to how the money was spent but rather just that the transaction was
19 somehow documented.
20
21

22
23 **f. Rockport employees have control over Riverside's primary bank
24 account.**

25 182. Rockport maintains one primary bank account at The Riverside Private
26 Bank, located in Riverside, California.
27
28

1 183. Orozco, as Riverside's Business Office Manager, had access to the bank
2 account, primarily to make deposits from the Accounts Receivable department. For
3 any other tasks related to the bank account, Orozco had to contact certain Rockport
4 employees.
5

6 184. Several Rockport employees had access to Riverside's bank account
7 including: Rockport Accounts Payable Manager Cheryl P. Martinez; Margie de
8 Guzman (title unknown); Denise Gabault (Accounts Receivable Manager)
9

10 185. Orozco frequently saw Riverside's bank statements.
11

12 186. Orozco noticed that Riverside made reoccurring transfers to Jonathan
13 Weiss's American Express card (Weiss partially owns Riverside and has interests in
14 several other Rockport facilities.).
15

16
17 **g. Rockport trains the employees of Riverside and other facilities on**
18 **accounting practices and also approves any major purchases.**

19 187. When Orozco first started working at Riverside, Tran (last name
20 unknown), Accounts Receivable/Payroll for another Rockport facility, Skyline,
21 trained Orozco.
22

23 188. Tran trained Orozco at the Skyline location on accounting practices for
24 approximately four days; Skyline and Riverside perform essentially the same
25 accounting practices.
26
27
28

1 189. All expense reports from Skyline and Riverside employees are sent to
2 Rockport, which issues reimbursement checks to the employees.

3
4 190. Tran instructed Orozco to be careful in reviewing expense reports and
5 receipts because Rockport's Vice President of Operations Aneta Ayrapetyan
6 reviews the expense reports and receipts.

7
8 191. Tran told Orozco that expense reports and any receipts should not
9 include any references to expense related to doctors.

10
11 192. At the time, Orozco reported to Riverside's administrators: Christopher
12 Romney.

13 193. Orozco was responsible also for handling Riverside's petty cash.

14
15 194. To obtain petty cash, Orozco would request a check from Rockport.
16 Rockport then made out the check to the administrator .

17
18 195. The administrator cashes the check to obtain petty cash.

19
20 196. Riverside does not renew its petty cash funds automatically, but uses
21 roughly \$3,000 every two weeks, at which point Rockport issues the administrator a
22 new check.

23
24 197. Orozco maintained a petty cash log on an electronic spreadsheet on the
25 Accounts Payable computer.

26
27 198. The log was saved on Riverside's Global drive (often referred to as the
28 "G drive").

1 199. Riverside's administrators sign the petty cash log and send a scanned
2 copy to Rockport.

3
4 200. If Riverside needs to obtain a check for a non-routine purpose, Riverside
5 would send an e-mail to Ayrapetyan and Robin and Jonathan Weiss.

6 201. However, Weiss has to approve the check.

7
8 202. After about a month in the Business Office position, Rockport's Vice
9 President of Operations Aneta Ayrapetyan determined that Orozco required
10 additional accounting training.

11
12 203. Ayrapetyan instructed Orozco to travel to Rockport's facilities to obtain
13 additional training from Rockport's billing consultant, Ann Dixon.

14
15 204. In 2012, Orozco traveled twice to Rockport's Los Angeles location (the
16 Fairfax building) for training. Orozco met Rockport CFO Brad Gibson during these
17 trainings.

18
19 205. In 2014, Orozco again traveled twice to Rockport's Los Angeles
20 location (this time at the Wilshire building).

21
22 206. Generally, every Riverside director or supervisor (except for the
23 registered nurses) travels to Rockport's Los Angeles location for job-specific
24 training. Some RN's like the DON travel to training.

25
26 207. Rockport employees communicate with Riverside employees by
27 telephone, e-mails, and text messages.
28

1 208. In or around 2013, in addition to working at Riverside, Orozco worked
2 part-time at Orange – another Rockport facility also managed by Ayrapetyan.

3
4 209. Orozco performed the Accounts Payable and payroll at Orange.

5 210. Orange's Accounts Receivable Representative Rosa (last name
6 unknown) trained Orozco on Orange's accounting practices; Orozco used those
7 same practices at Riverside.
8

9 211. Later, Orozco returned to Orange to train Lisa Iopu and then to train
10 Nayeli Bahena on Rockport's accounting practices.
11

12 212. At Orange, Orozco witnesses the accounting department make fake
13 receipts in a similar manner as at Riverside.
14

15 213. Ayrapetyan instructed Orozco to go to Orange as much as possible to
16 provide additional training and guidance.
17

18 214. Orozco frequently spoke with Orange's Business Office Manager Angie
19 Rivera about Orange's accounting practices, which were nearly identical to
20 Riverside's.
21

22 215. On at least two occasions, Orozco witnessed Orange's marketer request
23 a cash reimbursement for money she spent buying gifts for doctors, and made a fake
24 receipt indicating that the cash, approximately \$300, was spent to pay the facility
25 gardener, when in fact the cash was used to reimburse the marketer for gifts for
26 doctors.
27
28

1 **II. Defendants Engage in a Wide-Spread, Systematic, Corporate Kickback**
2 **Scheme to Defraud Medicare.**

3 216. Defendants engage in an illegal scheme to provide doctors and case
4 managers with cash, gifts, and numerous other incentives in return for Medicare
5 patient referrals.

6
7 217. Defendants also provide these incentives directly to patients to
8 encourage Medicare patients to stay at the facility longer than necessary.
9

10 218. Corporate Defendants hire marketers to entice doctors and hospital case
11 managers to refer Medicare patients to their facilities. In or around June 2013,
12 Rechnitz hired Joy Smith as a marketer for Riverside; Smith reported to Rechnitz
13 and Rockport's Chief Operating Officer, Aaron Robin.
14

15 219. Orozco also saw that Smith's employment application listed that
16 Rechnitz referred Smith.
17

18 220. Rechnitz hired Smith at a pay rate of approximately seventy eight dollars
19 an hour, not including bonuses. In 2013, Orozco went on a job interview at Villa
20 Healthcare, another health care provider owned by North American Health Care,
21 Inc. and not associated with Rockport.
22

23 221. During the interview, North American Health Care Inc.'s Administrator
24 Jeremy Jergensen asked Orozco if she knew Smith, and Orozco replied that she did.
25
26

27 222. Jergensen said, "She's very well-known I hear and was hired directly by
28 Shlomo [Rechnitz], right?" or words similar.

1 223. Additionally, Riverside's former case manager, Ted Johnson, disliked
2 Smith and frequently complained to Orozco and other Riverside employees that he
3 could not do anything contrary to Smith's instruction because Rechnitz hired her.
4

5 224. Smith would often tell people that Rechnitz hired her and that Aaron
6 Robin, Rockport's Chief Operating Officer, was not her boss.
7

8 225. As a marketer, Smith's job was to get local doctors to refer Medicare
9 patients to Riverside.
10

11 226. Smith would often tell Riverside employees that "we only want
12 Medicare" patients admitted into the facility.
13

14 227. Since Orozco processed the expense reports, Orozco saw that Smith
15 often spent close to \$10,000 in marketing expenses every few weeks.
16

17 228. In or about 2013, Rockport Accounts Payable Manager, Cheryl
18 Martinez, told Orozco that Rockport Chief Operating Officer Aaron Robin had
19 requested that Smith's expense reports be provided directly to him.
20

21 229. Ayrapetyan told Orozco not to mess with Smith because Rechnitz hired
22 her.
23

24 230. When Rechnitz hired Smith, Riverside had only five Medicare patients.

25 231. However about a year later, due to Smith's marketing efforts, Riverside
26 had about twenty Medicare patients.
27
28

1 232. As Smith proved how successful she was at getting doctors to refer
2 Medicare patients, in or around 2013, Rechnitz moved Smith to market for other
3 facilities including Orange Healthcare, Mesa Verde and Santa Ana.
4

5 233. Ultimately, Smith was promoted to Regional Business Director, along
6 with Lyn Naivson to oversee all of the marketers at the various Rockport facilities.
7

8 234. Approximately every Friday, Smith visits Riverside to attend marketing
9 conference calls or marketing events.
10

11 235. If Riverside hosts any events or open houses with potential referral
12 sources, Smith attends.
13

14 236. In July 2012, Aaron promoted Admissions Director Leah Pennachio to
15 the position of marketer for Riverside.
16

17 237. Pennachio often used the company's Sam Club card, petty cash and her
18 personal credit card to buy gifts and requested items for doctors, patients, and case
19 managers.
20

21 238. In April 2013, Rhead hired Lane Marine to replace Pennachio as the
22 marketer for Riverside.
23

24 239. Pennachio and Smith trained Marine for the position of marketer.
25

26 240. But Marine left after a few months because she did not feel comfortable
27 giving cash to doctors.
28

1 241. After Marine, in or about March or April 2013, Smith hired Kristie
2 Bednar as the marketer, but Bednar also left after a few months because she did not
3 like Riverside's marketing practices and felt a lot of pressure from Smith to secure
4 Medicare patients for Riverside.
5

6 242. In August 2014, Smith hired Mario Pena as the marketer and Pena has
7 remained in that position.
8

9 243. Marketers spend significant amounts of money to entice doctors to refer
10 Medicare patients; Riverside creates fake receipts for marketing expenditures When
11 Smith was first hired, Smith would submit her expense reports to the administrator,
12 Chris Romney then Rhead, to review and approve.
13
14

15 244. A few months after Smith began submitting expense reports, Rhead
16 raised concerns about how much money Smith was spending.
17

18 245. Shortly after Rhead raised concerns, Robin told Rhead that Smith could
19 purchase what she wanted, and Robin would be reviewing and approving Smith's
20 expense reports from then on.
21

22 246. All marketers since Smith require pre-approval by Ayrapetyan to
23 purchase items, or spend money.
24

25 247. Once the marketer purchases the item, or pays for the event, the
26 marketer submits an expense report to the administrator for review and then to
27
28

1 Orozco for processing. Smith and Pennachio created their own fake receipts for gifts
2 purchased with cash to give to the doctors and case managers.

3
4 248. Pennachio came up with the idea of creating receipts indicating the cash
5 was used to buy items like cupcakes or muffins for the patients.

6
7 249. After Pennachio left, Ayrapetyan instructed Orozco to continue creating
8 fake receipts to account for the cash the facility used for marketing gifts.

9
10 250. After Pennachio, Riverside's marketers felt uncomfortable creating fake
11 receipts, so Ayrapetyan, Pennachio, Desai, and Tillman told Orozco to create fake
12 receipts indicating the cash was used to purchase items required by the patients such
13 as wheelchairs, muffins, and cupcakes.

14
15 251. In or around 2014, Ayrapetyan told Orozco to "get creative" for larger
16 amounts because they could not justify so much money spent on wheelchairs as
17 there were actually very few wheel chairs at Riverside.

18
19 252. Ayrapetyan also instructed Orozco to revise any expense reports or
20 receipts that referenced marketing expenses by using White-Out and then inserting
21 "employee benefits."

22
23 253. In or about 2012, Ayrapetyan sent an e-mail to all of the Accounts
24 Payable representatives of all of her facilities instructing them correct expense
25 reports to reference employee benefits before turning them in.

26
27
28 254. Smith's expense reports are still submitted directly to Robin.

1 255. Later, in June 2014 when Riverside promoted Orozco from the position
2 of Accounts Payable Representative to Business Office Manager, David Rodriguez
3 filled the position of Accounts Payable Representative.
4

5 256. Rodriguez felt uncomfortable making fake receipts.

6 257. Rodriguez told Orozco, "I'm making \$13 an hour and I'm going to go to
7 jail for this" or words to the same effect.
8

9 258. On one occasion, Pennachio purchased a laptop for Dr. Pengson on her
10 husband's credit card and submitted an expense report requesting reimbursement
11 for the purchase.
12

13 259. Christy Layug, who worked for Rockport, questioned the purchase
14 because she thought it was suspicious that the marketer was buying a laptop for a
15 doctor.
16

17 260. When Christy raised concerns about this purchase, Rockport's Chief
18 Operating Officer Aaron Robin got involved, approved the expense report, and told
19 Christy not to question the expenses any more.
20

21 261. Rockport's Accounts Payable Manager Cheryl Martinez ultimately fired
22 Christy for asking too many questions about the expense reports submitted by the
23 marketers.
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26
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h. Corporate Defendants provide doctors with cash, a salary, bonuses, hotels, gifts, and attractive women in exchange for Medicare patient referrals.

i. Dr. Gamal Ghaly

262. Dr. Gamal Ghaly is one of Riverside's medical directors who also has a private practice where he sees patients at a facility next to Parkview Community Hospital. When Smith was Riverside's marketer, Smith introduced Dr. Ghaly to Riverside as she and Dr. Ghaly are very close.

263. Riverside pays for Dr. Ghaly's daughter's birthday parties, hotels, and anything else Dr. Ghaly needs.

264. Dr. Ghaly refers a large number of Medicare beneficiaries to Riverside.

265. In fact, according to Orozco, while Dr. Ghaly refers private insurance and long-term care patients to other facilities, including Citrus, Dr. Ghaly exclusively refers his Medicare patients to Riverside.

266. Dr. Ghaly works at Riverside approximately one day a week to review and complete most of Riverside's patients' chart notes.

267. In return for Dr. Ghaly's referrals and his one day of week of chart review at Riverside, Riverside pays Dr. Ghaly a salary of \$4,000 per month, a bonus based on how many referrals Dr. Ghaly provides (usually amounting to about \$1,000 a month).

1 268. Riverside also takes Dr. Ghaly out for the evening to dinners and other
2 social events.

3
4 269. Riverside pays Dr Ghaly's medical director fees through its Accounts
5 Payable department using a check.

6
7 270. Smith, or other Riverside marketers, provides Dr. Ghaly with cash for
8 his bonuses.

9
10 271. On several occasions, Dr. Ghaly spoke with Orozco directly requesting
11 payment of his \$4,000 monthly salary.

12
13 272. Riverside also pays for expensive gifts, parties, and other items for Dr.
14 Ghaly.

15
16 273. Riverside hires attractive young females to handle admissions to entice
17 Dr. Ghaly to continue to refer Medicare patients to Riverside.

18
19 274. Smith, Ayrapetyan, and Robin tell admissions employees that they have
20 to go out with Dr. Ghaly as part of their job duties.

21
22 275. Smith, Ayrapetyan, and Robin also tell the admissions employees that
23 they have to pick up the tab for whatever Dr. Ghaly wants to do for the evening.

24
25 276. In or about December 2013, Ayrapetyan sent an e-mail to several
26 directors at her various facilities instructing them on how to draft expense reports
27 when they took doctors out to meals.
28

1 277. The women in Admissions are told to pay in cash and bring in their
2 receipts to be reimbursed for their expenditures.

3
4 278. In 2013, when Pennachio was the Admissions Director, went on dates
5 with the doctors.

6 279. Sometimes it is the marketers, specifically Pena, who will take Dr.
7 Ghaly out.
8

9 280. When this happens, Pena pays for the events on his corporate credit
10 card.
11

12 281. As Smith rose higher up the chain and took on more responsibilities,
13 Pena was promoted to oversee admissions and marketing at Riverside.
14

15 282. Pena instructs the admissions employees at Riverside that they must go
16 out with, and pay for, Dr. Ghaly as well.
17

18 283. In August 2014, Riverside promoted Dinorah (“Erica”) Hamilton from
19 the position of Receptionist/Admissions Assistant to the position of Director of
20 Admissions.
21

22 284. Robin came to Riverside to speak with Hamilton, and take her out to
23 dinner.
24

25 285. At dinner, Robin told Hamilton that in order to be Director of
26 Admissions, she needed to go on dates with doctors.
27
28

1 286. Robin then insisted that Hamilton drink more and offered her to stay at
2 the same hotel that he was staying but Hamilton refused.

3
4 287. After dinner, Hamilton called her former supervisor, Pennachio.

5 288. Pennachio told her that if she could not handle taking doctors out and
6 being hit on, to not take the position because that is what the position entailed.
7

8 289. Hamilton went on dates with doctors but when things got out of hand,
9 she complained to Tillman, Riverside's administrator at the time.

10
11 290. Tillman told Hamilton that she was not performing well and Hamilton
12 responded that she did not feel comfortable going on dates.

13
14 291. Tillman told Hamilton that she was naïve because "she did not know
15 what she had" or words similar.

16 292. Smith also personally called Hamilton and sent her text messages asking
17 her to go on dates with doctors.
18

19 293. In or around December 2014, Riverside demoted Hamilton to the
20 position of Receptionist when Hamilton complained to Smith that Dr. Ghaly
21 grabbed her butt when they were out one evening, and told Smith that she could
22 only go out with Dr. Ghaly twice a week, and could no longer go out with Dr.
23 Ghaly every night.
24

25
26 294. Orozco also told Assistant Administrator Martindale that Dr. Ghaly
27 grabbed Hamilton's butt while the two were out one night.
28

1 295. Martindale brushed off Orozco's comment and said "he grabs
2 everyone's ass. Just tell him not to and he won't do it again."
3

4 296. After Smith demoted Hamilton, Smith paid for Hamilton's replacement,
5 Rebecca Brizuela, to dye her hair blonde, as Dr. Ghaly prefers blondes.
6

7 **ii. Dr. Joel Pengson**

8 297. Dr. Joel Pengson is another medical director at Riverside who sees
9 patients primarily at Parkview.
10

11 298. In addition to his role as medical director, Dr. Pengson has traditionally
12 referred Medicare beneficiaries to Riverside.
13

14 299. Dr. Pengson is supposed to work at Riverside at least once a week, but
15 usually only comes into the facility once a month.
16

17 300. When Dr. Pengson is at Riverside, Dr. Pengson reviews and signs off on
18 patient charts.
19

20 301. In return for Dr. Pengson's referrals and patient chart reviews, Riverside
21 pays Dr. Pengson a salary of \$4,000, and a bonus based on how many referrals Dr.
22 Pengson provides.
23

24 302. Dr. Pengson has all but stopped referring his Medicare patients to
25 Riverside, and now sends the majority of his Medicare patients to Mission Care
26 Center, a skilled nursing facility owned by Sun Mar Management Services, where
27 Riverside's former administrator Micah Rhead currently works.
28

1 303. Despite Dr. Pengson's diminished referrals, Riverside continues to pay
2 Dr. Pengson his \$4,000 a month salary as well as provides various perks for Dr.
3 Pengson and his family.
4

5 304. In or about 2014, Rhead complained to Rockport Chief Operating
6 Officer Aaron Robin that Dr. Pengson should not receive a full salary and a bonus
7 because he was no longer referring as many Medicare patients as the other doctors.
8

9 305. Robin instructed Riverside to continue paying Dr. Pengson because he
10 referred to other Rockport facilities.
11

12 306. Riverside donates money to Dr. Pengson's charity, Christian Action for
13 Reconciliation and Evangelism Philippines, and gives expensive gifts to Dr.
14 Pengson's wife.
15

16 307. Orozco recalls that one time, Dr. Pengson wanted an iMac desktop
17 computer for his birthday, so Riverside's marketer at the time, Leah Pennachio,
18 bought him one.
19

20 308. In addition to receiving gifts personally, the marketers give gifts to the
21 doctors' wives.
22

23 309. Smith and Dr. Pengson's wife are close friends and Smith often buys
24 Mrs. Pengson designer sunglasses, purses, scarves, and electronics.
25

26 310. Dr. Pengson and Dr. Ghaly also have charity fundraisers every year to
27 which Riverside donates money.
28

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1 320. Robin and Ayrapetyan approve all gifts and cash given to doctors.

2 321. In addition to the salaries, cash bonuses, drinks, dinners, parties, and
3 charity contributions Riverside pays to the doctors, Riverside also pays for the
4 doctor's hotel rooms, limo service to special events, dry cleaning, golf outings,
5 laptops, car washes, and valet services among other items, services, and goods.
6

7
8 322. Orozco states that Riverside pays for everything for these doctors on top
9 of the salary that Riverside pays the doctors for acting as Medical Directors.
10

11 **i. Corporate Defendants provide hospital case managers with gifts**
12 **and cash in exchange for Medicare patient referrals.**

13 323. Case managers at hospitals and other medical facilities are supposed to
14 present a list of options of skilled nursing facilities to the patient or the patient's
15 family, and ask the patient and family to make a decision about what skilled nursing
16 facility the patient would like to go to.
17

18
19 324. The case managers that work with Rockport's marketers do not present a
20 choice of facility to the patient or the patient's family.
21

22 325. Instead, case managers tell patients that they need skilled nursing care so
23 that patients will have to go to Riverside or one of the other Rockport facilities.
24

25 326. Parkview Community Hospital is located behind Riverside's parking lot;
26 Riverside Community Hospital and Riverside Medical Center are also located
27 nearby.
28



1 327. Marketers from Riverside used to bring gift cards and gift baskets to the
 2 case managers at Parkview and Riverside Community Hospital, Riverside Medical
 3 Center and Kaiser in Moreno Valley and Riverside.
 4

5 328. Riverside purchased many gifts, gift cards, and gift baskets from Sam's
 6 Club for patients, doctors, and case managers.
 7

8 329. Riverside had its own corporate account at Sam's Club and provided the
 9 following employees with cards: Administrator Micah Rhead, Admissions Director
 10 Leah Pennachio, Business Office Manager Neyirys Orozco, Central Supply
 11 Director Yocelin Perez, and Staff Development Director Hannah Abrillo.
 12

13 330. Orozco had two Sam's Club cards and often times, upon the direction of
 14 Rhead, allowed other employees use her Sam's Club card to purchase items for
 15 Riverside.
 16

17 331. The following excerpts show some of the gift-related purchases made on
 18 Riverside's Sam's Club account:
 19

|  ALTA VISTA HEALTHCARE Account: 0402 53856768 6 Club/Name: 4709 | | SAM'S CLUB DIRECT P.O. BOX 530930 ATLANTA, GA 30353-0930 | |  Date of Sale: 12/07/12 Invoice: 009548 P.O.: Buyer: LEAH PENNACCHIO | |
|--|-----------------------|--|------|---|------------|
| S.K.U. | DESCRIPTION | QUANTITY | UNIT | PRICE | EXT. PRICE |
| 005976326 | OLIVE GARDEN GC \$25 | 2.00 | EA | 24.64 | 49.28 |
| 022182657 | \$50 HOLIDAY MC | 1.00 | EA | 53.88 | 53.88 |
| 026773259 | VANILLA MCARD \$75 MF | 5.00 | EA | 83.94 | 419.70 |

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SAM'S CLUB DIRECT
 P.O. BOX 530930
 ATLANTA, GA 30353-0930

ALTA VISTA HEALTHCARE
 Account : 0402 53856768 6
 Club/Name: 4709

Date of Sale: 11/19/12
 Invoice: 003822
 P.O.:
 Buyer: HANNAH ABRILLO

| S.K.U. | DESCRIPTION | QUANTITY | UNIT | PRICE | EXT. PRICE |
|------------------|---------------------|-----------|------|---------------------|------------|
| 024168106 | MCARD HISPANIC \$50 | 2.00 | EA | 53.88 | 107.76 |
| 025735801 | \$30 AMC / LOWES MP | 1.00 | EA | 29.48 | 29.48 |
| Subtotal: 137.24 | | Tax: 0.00 | | Balance Due: 137.24 | |

SAM'S CLUB DIRECT
 P.O. BOX 530930
 ATLANTA, GA 30353-0930

ALTA VISTA HEALTHCARE
 Account : 0402 53856768 6
 Club/Name: 6378

Date of Sale: 04/25/13
 Invoice: 008691
 P.O.:
 Buyer: NEYIRYS OROZCO

| S.K.U. | DESCRIPTION | QUANTITY | UNIT | PRICE | EXT. PRICE |
|-----------|-------------------|----------|------|--------|------------|
| 022182562 | \$100 HOLIDAY MC | 1.00 | EA | 105.38 | 105.38 |
| 022182657 | \$50 HOLIDAY MC | 1.00 | EA | 53.88 | 53.88 |
| 026055331 | SPA WEEK MP \$100 | 1.00 | EA | 79.98 | 79.98 |


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ALTA VISTA HEALTHCARE
 Account : 0402 53856768 6
 Club/Name: 4709

Date of Sale: 11/28/12
 Invoice: 001857
 P.O.:
 Buyer: HANNAH ABRILLO

| S.K.U. | DESCRIPTION | QUANTITY | UNIT | PRICE | EXT. PRICE |
|------------------|-----------------------|-----------|------|---------------------|------------|
| 021960203 | EUROPEAN COOKIES | 3.00 | EA | 9.98 | 29.94 |
| 022182657 | \$50 HOLIDAY MC | 2.00 | EA | 53.88 | 107.76 |
| 028773259 | VANILLA MCARD \$75 MP | 1.00 | EA | 83.94 | 83.94 |
| Subtotal: 221.64 | | Tax: 0.00 | | Balance Due: 221.64 | |

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 **SAM'S CLUB DIRECT**
P.O. BOX 530930
ATLANTA, GA 30353-0930

ALTA VISTA HEALTHCARE
Account : 0402 53856768 6
Club/Name: 4709

Date of Sale: 12/05/12
Invoice: 005787
P.O.:
Buyer: HANNAH ABRILLO

| S.K.U. | DESCRIPTION | QUANTITY | UNIT | PRICE | EXT. PRICE |
|------------------|-----------------------|-----------|------|---------------------|------------|
| 022182657 | \$50 HOLIDAY MC | 1.00 | EA | 53.88 | 53.88 |
| 028773259 | VANILLA MCARD \$75 MP | 2.00 | EA | 83.94 | 167.88 |
| Subtotal: 221.76 | | Tax: 0.00 | | Balance Due: 221.76 | |

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ALTA VISTA HEALTHCARE
Account : 0402 53856768 6
Club/Name: 4709

Date of Sale: 12/05/12
Invoice: 005775
P.O.:
Buyer: HANNAH ABRILLO

| S.K.U. | DESCRIPTION | QUANTITY | UNIT | PRICE | EXT. PRICE |
|------------------|-----------------------|-----------|------|---------------------|------------|
| 005592102 | 8.5X11.20# 92 BRIGHT | 2.00 | EA | 27.88 | 55.76 |
| 028773259 | VANILLA MCARD \$75 MP | 1.00 | EA | 83.94 | 83.94 |
| Subtotal: 139.70 | | Tax: 4.32 | | Balance Due: 144.02 | |

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ALTA VISTA HEALTHCARE
Account : 0402 53856768 6
Club/Name: 4709

Date of Sale: 12/07/12
Invoice: 009550
P.O.:
Buyer: LEAH PENNACCHIO

| S.K.U. | DESCRIPTION | QUANTITY | UNIT | PRICE | EXT. PRICE |
|------------------|-----------------|-----------|------|---------------------|------------|
| 022182657 | \$50 HOLIDAY MC | 16.00 | EA | 53.88 | 862.08 |
| Subtotal: 862.08 | | Tax: 0.00 | | Balance Due: 862.08 | |

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ALTA VISTA HEALTHCARE
 Account : 0402 53856768 6
 Club/Name: 4709

Date of Sale: 12/07/12
 Invoice: 008552
 P.O.:
 Buyer: MICAH RHEAD

| S.K.U. | DESCRIPTION | QUANTITY | UNIT | PRICE | EXT. PRICE |
|------------------|-----------------------|-----------|------|---------------------|------------|
| 028773259 | VANILLA MCARD \$75 MP | 4.00 | EA | 83.94 | 335.76 |
| Subtotal: 335.76 | | Tax: 0.00 | | Balance Due: 335.76 | |

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 P.O. BOX 530930
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ALTA VISTA HEALTHCARE
 Account : 0402 53856768 6
 Club/Name: 4709

Date of Sale: 12/07/12
 Invoice: 009547
 P.O.:
 Buyer: LEAH PENNACCHIO

| S.K.U. | DESCRIPTION | QUANTITY | UNIT | PRICE | EXT. PRICE |
|------------------|-----------------------|-----------|------|---------------------|------------|
| 028773259 | VANILLA MCARD \$75 MP | 3.00 | EA | 83.94 | 251.82 |
| Subtotal: 251.82 | | Tax: 0.00 | | Balance Due: 251.82 | |

SAM'S CLUB DIRECT
 P.O. BOX 530930
 ATLANTA, GA 30353-0930

ALTA VISTA HEALTHCARE
 Account : 0402 53856768 6
 Club/Name: 4709

Date of Sale: 12/07/12
 Invoice: 009555
 P.O.:
 Buyer: MICAH RHEAD

| S.K.U. | DESCRIPTION | QUANTITY | UNIT | PRICE | EXT. PRICE |
|-----------------|-----------------------|-----------|------|--------------------|------------|
| 028773259 | VANILLA MCARD \$75 MP | 1.00 | EA | 83.94 | 83.94 |
| Subtotal: 83.94 | | Tax: 0.00 | | Balance Due: 83.94 | |

SAM'S CLUB DIRECT
 P.O. BOX 530930
 ATLANTA, GA 30353-0930

ALTA VISTA HEALTHCARE
 Account : 0402 53856768 6
 Club/Name: 6619

Date of Sale: 12/17/12
 Invoice: 008241
 P.O.:
 Buyer: LEAH PENNACCHIO

| S.K.U. | DESCRIPTION | QUANTITY | UNIT | PRICE | EXT. PRICE |
|------------------|---------------------|-----------|------|---------------------|------------|
| 022182562 | \$100 HOLIDAY MC | 2.00 | EA | 105.38 | 210.76 |
| 024168198 | MCARD HISPANIC \$50 | 1.00 | EA | 53.88 | 53.88 |
| 027064426 | AG DAISY POT \$50 | 4.00 | EA | 53.88 | 215.52 |
| Subtotal: 480.16 | | Tax: 0.00 | | Balance Due: 480.16 | |

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332. Orozco would process Riverside's Sam's Club bill.

333. Ayrapetyan told Orozco that she did not want to see purchases for wine, gift cards, and baskets as those would "raise a red flag."

334. Ayrapetyan instructed Orozco to create fake Sam's Club statements in excel to revise any entries or items that could be construed as gifts.

335. Ayrapetyan also instructed Orozco to shred the original Sam's Club statements.

336. At Riverside daily meetings, Ayrapetyan, Romney, Rhead, and Desai would instruct Perez, Pennachio, Kellen Vasquez and Orozco to go to Sam's Club and purchase large quantities of gift cards, between \$500 and \$1,000, for the marketers to give out for referrals.

337. Other times, when Orozco would go to Sam's Club to get office supplies for Riverside, Ayrapetyan, Rhead, and Desai would ask Orozco to purchase gift cards and bottles of wine for the marketers to give to case managers.

338. When Sam's Club stopped selling gift cards, Ayrapetyan, Rhead, and Desai instructed Perez, Orozco and the marketers to purchase gift cards from other stores such as the local grocery store called Staters Brothers.

339. Ayrapetyan, Rhead, and Desai instructed Perez, Orozco, and the marketers to always buy the gift cards in cash so Riverside could write the expense off as purchase for patient related items such as wheel chairs or cupcakes.

1 340. The gift cards the marketers would bring the case managers were often
2 generic Visa or MasterCard gift cards, and some were for specific business such as
3 Starbucks; the gift cards ranged in value from \$25 to \$500.
4

5 341. Ayrapetyan, Rhead, and Desai also instructed Perez to purchase
6 groceries from Sam's Club for doctors and case managers providing referrals.
7

8 342. When the marketer visits Parkview, the marketer drops off the gifts and
9 says something to the effect of, "This is for you, from us."
10

11 343. Or, the marketer specifically asks for the following Parkview case
12 managers to provide them with the gifts: Sandra, Michelle, JC, Janell, Andrew,
13 Mel, Myline, Sammy and Faith (last names unknown).
14

15 344. When the marketer visits Riverside County Regional Medical Center,
16 the marketer specifically asks to speak with the following case managers to provide
17 them with gifts: Lyn, Debbie, Mayra Gallegos (Gallegos previously worked at
18 Riverside and now works at Parkview).
19

20 345. Lyn would often make deals with Pena in exchange for Medicare
21 patients.
22

23 346. It is primarily the marketer's job to bring gifts to Parkview, but
24 occasionally the admissions staff brings the gifts to Parkview.
25
26
27
28

1 347. Occasionally, if the marketers and Admissions staff were busy,
2 Ayrapetyan would tell Orozco to walk over to Parkview and give gifts to the case
3 managers.
4

5 348. In or around 2013, Smith came to Riverside and told the marketers that
6 they were no longer allowed to go over to Parkview as there had been complaints of
7 bribery at Parkview.
8

9 349. Smith instructed Riverside's marketers and employees that Parkview
10 management had designated Wednesdays as a specific day for marketers to meet
11 and greet the staff.
12

13 350. Smith told the marketers that to avoid issues at Parkview the marketer
14 should go over to Parkview and ask the case managers out to dinner or happy hour
15 with the marketers.
16

17 351. Once the marketers were out to dinner or drinks with the case managers,
18 the marketer would give the case manager the gift cards, or other gifts.
19

20 352. Robin and Smith tell the marketers that they should take the case
21 manager out to dinner or give the case manager a gift card for every single
22 Medicare patient the case manager refers to Riverside.
23

24 353. Riverside marketers take the case managers and doctors to Sevillas in
25 Riverside and Mission Inn in Riverside for dinner and happy hours, among other
26 places; Riverside marketers always pay for these dinners and happy hours.
27
28

1 354. The marketers at Riverside also give gifts and throw happy hours for
2 almost every single holiday, like St. Patrick's Day.

3
4 355. For Christmas, Riverside's marketers give larger gifts like Chanel make-
5 up sets for the women and shaving kits for the men.

6 356. Recently, Smith instructed the women working in admissions at
7 Riverside to take the female case managers to the spa.

8
9 357. More expensive gifts, such as purses, are given to case managers by
10 Riverside's marketers to "motivate" them to provide more referrals.

11
12 358. Smith often submits expense reports with name brand purses listed.

13
14 359. On one occasion, Orozco remembers Smith submitted an expense report
15 with a \$3,000 name brand purse for a case manager.

16 360. Smith told Orozco to list the purse as "Director of Nursing's Birthday"
17 even though Orozco knew that the Director of Nursing's birthday was months
18 away.

19
20 361. Smith instructed Orozco to expense the purse this way because if the
21 expense is attributable to an employee, Riverside can code the expense as an
22 employee benefit, and there is nothing to say an employer cannot give their own
23 employee a gift.
24
25
26
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28

1 362. When Orozco saw this expense, Orozco made a comment to Rhead, the
2 Administrator at the time, that the purse Smith bought was more than Orozco made
3 in a month.
4

5 363. Rhead responded “we make \$18,000 a month from Medicare patients.”
6

7 364. After this comment, Orozco never complained about the marketer’s
8 expense reports again.

9 365. Parkview’s Director of Case Management, George Martindale was
10 aware of, and participated in, Riverside’s practice of giving kickbacks to
11 Parkview’s case managers for referrals.
12

13 366. Martindale has gone out to dinner and drinks on numerous occasions
14 with Riverside’s marketers.
15

16 367. In or around March 2014, Martindale also used his connection as a
17 referral source to get his son, Garrett a position as Assistant Administrator at
18 Riverside so Garrett could complete his administrator training.
19

20 368. In 2015, George and Garrett Martindale went to Mardi Gras in New
21 Orleans with Smith.
22
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j. Defendants provide Medicare patients with gifts, food, and waive certain costs to persuade them to stay at the facility as long as possible.

369. Defendants engage in a companywide, systematic scheme to keep patients on service for the 100-day maximum for which Medicare will pay for rehabilitation services.

370. Rhead and Desai told Riverside staff to do “whatever it takes” to ensure that Medicare patients remain at the facility.

371. Ayrapetyan, Rhead, Tillman, Desai, and the rest of Riverside staff, bribed patients who wanted to leave Riverside to stay at Riverside with promises of special food from restaurants, new televisions, shopping trips, rental payments, and other perks.

372. If a patient wants to leave, the staff is required to send an email to Ayrapetyan and Ayrapetyan will call one of the administrators and tell them to do whatever it takes to keep the patients at Riverside.

i. Defendants do not attempt to collect the 20% cost share required by Medicare.

373. Medi-Cal requires that beneficiaries cover uncovered charges (“shared costs”) before it will reimburse facilities for the cost of care.

374. For Medicare If the stay is for fewer than 20 days, there is no co-pay.

1 375. It is common for Riverside to waive the required 20% co-pay for
2 rehabilitation services provided to Medicare beneficiaries.

3
4 376. If a patient at Riverside receives social security checks, Riverside will
5 deposit the monthly check in the patient's trust account.

6
7 377. Riverside then transfers money from the patient's trust account to
8 Riverside's main bank account, and posts that transaction to the patient's account to
9 show Medicare that the patient paid the required 20% to Riverside.

10
11 378. Orozco, in her role as Riverside's Business Office Manager, was
12 responsible for managing patients' trust accounts.

13
14 379. Even though Riverside completes this transaction, Riverside reimburses
15 most Medicare patients with cash or checks made out to the patient personally.

16
17 380. In or about October 2014, when Campbell was serving as Interim
18 Administrator at Riverside, Orozco attempted to collect coinsurance from a
19 Medicare patient.

20
21 381. When Campbell learned this, Campbell went to Orozco's office and said
22 "we don't collect on Medicare."

23
24 382. Orozco visited other Rockport facilities, including Orange and Skyline,
25 and saw the accounting books which indicated to Orozco that all three other
26 facilities implement the same strategy of waiving the 20% co-pay and Medi-Cal
27 Share of Cost for Medicare patients.
28

1 383. Orozco also spoke with the Business Office Managers at Orange and
2 Bakersville who told her that Ayrapetyan's instructed them not to collect on
3 Medicare patients.
4

5 384. Orozco knows this is true because the books at all the facilities have an
6 "outstanding" note next to all of the Medicare patients.
7

8 385. A previous biller, Susan Rhea, complained to Rhead and Desai that
9 when she tried to collect from patients after they were released, the patients would
10 often tell her that Riverside told them they would not have to pay anything.
11

12 386. Rhea had been at Riverside for sixteen years but ultimately left because
13 Riverside was pressuring her to collect on 100% of its accounts.
14

15 387. Depending on the case, the administrator would put an administrative
16 hold on the patient's account, and stop collection efforts.
17

18 388. On one occasion, when Orozco was first promoted to biller, Orozco was
19 working on an accounts receivable project, and noticed that Rhea had placed an
20 administrative hold on a number of accounts.
21

22 389. When Orozco asked Ayrapetyan about the administrative hold,
23 Ayrapetyan told Orozco that administrative holds are placed on patient accounts for
24 whom Riverside is not collecting the 20% co-pay and share of cost.
25
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1 390. In or about September 2014, when Orozco asked why Riverside does not
2 collect the 20% co-pay from these patients, Ayrapetyan replied “What’s \$152 a day
3 when you’re making \$700 a day on the patient?”
4

5 391. Ayrapetyan, and Garrett Martindale who was also present, laughed at the
6 comment.
7

8 392. During the time Orozco was Riverside’s biller, Ayrapetyan instructed
9 Orozco to not contact Medicare patients for shared costs or coinsurance until after
10 they left the facility.
11

12 393. Once the patient left Riverside, Orozco was to make notes in the
13 patient’s file representing Riverside’s collection efforts.
14

15 394. Ayrapetyan told Orozco to make minimal effort for collection of
16 Medicare patients and that Riverside would just write the costs off.
17

18 **a) Riverside and Dr. Ghaly told patients that Riverside**
19 **would not require them to pay their 20% share of**
20 **costs.**

21 395. Dr. Ghaly, a doctor who works as a staff physician at nearby Parkview
22 Community Hospital, tells Medicare patients that Riverside will not charge them for
23 the shared costs.
24

25 396. Assistant Administrator at Riverside, Garrett Martindale, also tells
26 Medicare patients that Riverside will not charge them for their share of costs.
27

28 397. Martindale gives the patients cash or checks.

1 398. However, patients who want to leave Riverside are discouraged from
2 leaving Riverside by being told that if the patient leaves they will be personally
3 responsible for paying the entire cost of their stay at Riverside.
4

5
6 **ii. Specific Examples**

7 **a) Mr. E.³**

8
9 399. Orozco recalls one instance, in or around August 2014, where a patient,
10 Mr. E, was approved to receive 100 days of rehabilitative care at Riverside.

11 400. When Mr. E arrived at Riverside, Mr. E was told by Pena, Dr. Ghaly,
12 and Martindale that he would only have to stay at Riverside for one month.

13
14 401. Mr. E was concerned because Mr. E's wife relied on his social security
15 check.
16

17 402. Dr. Ghaly and Garrett Martindale informed Mr. E that because he and
18 his wife both relied on his social security check, Mr. E would not be responsible for
19 the shared cost that he would otherwise be required to pay as a Medi-Cal
20 beneficiary.
21

22 403. Mr. E spoke with Orozco about not paying the share of costs and Orozco
23 replied that she knew nothing about waiving the shared costs.
24

25 404. Mr. E complained to Martindale, Martindale told Orozco that Dr. Ghaly
26 had told Mr. E that he would not have to pay shared costs for his care at Riverside.
27

28

³Patient names are abbreviated to maintain confidentiality.

1 405. Because Dr. Ghaly, Martindale and Pena told Mr. E that he did not have
2 to pay his share the cost of his care at Riverside, Mr. E paid for his share of the
3 costs but then Riverside provided Mr. E a check for \$1,300 to reimburse him.
4

5 406. Because Riverside reimbursed Mr. E after his first month at Riverside,
6 Mr. E was convinced to stay for a second month.
7

8 407. Riverside reimbursed Mr. E's social security check to him after the
9 second month of his stay.
10

11 408. At the end of the third month, when Mr. E was discharged, Riverside
12 kept Mr. E's social security check to recoup some of the cost sharing Mr. E should
13 have been responsible for, despite Riverside telling Mr. E that they would not
14 collect the shared costs.
15

16
17 **b) L.D.**

18 409. On another occasion, in or around July 2014, Orozco recalls contacting
19 the son of patient L.D. by repeatedly calling him.
20

21 410. When the patient's son answered, the son told Orozco that Desai said his
22 father did not have to pay the shared costs if he stayed at Riverside for two weeks.
23

24 411. Orozco told Ayrapetyan about the son's claims, who in turn emailed
25 Desai.
26

27 412. Desai emailed Orozco back and told her that he did agree to waive
28 L.D.'s shared costs if L.D. stayed at Riverside for two weeks.

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28

c) G.W.

413. Orozco also attempted to collect shared costs from patient G.W.

414. Every time Orozco called G.W., Orozco would speak with G.W.'s daughter who informed Orozco that Dr. Ghaly told G.W. she would not have to pay anything to stay at Riverside.

415. When Orozco raised this with her managers, Ayrapetyan told Orozco not to collect any shared costs from G.W.

i. Corporate Defendants pay patients' rents to keep them in the facility.

416. In or around 2014, a patient drove himself to Riverside, and when he arrived, he informed admissions that Dr. Ghaly told him that he needed rehabilitation, and that Riverside would "help with the rent."

417. Patient D.N. also drove herself to Riverside in or around 2013.

418. When D.N.'s 100 Medicare days were up, Ayrapetyan instructed Orozco to give D.N. cash and instructed Desai to pay for a hotel room for D.N. for a month.

419. Orozco has witnessed some patients being enticed to stay at Riverside by Riverside staff telling the patients that Riverside would pay the rent for their apartments if they stayed.

420. Specifically, Orozco has witnessed Martindale, Campbell, and Ayrapetyan make this promise to patients.

1 421. One patient, R.V. lived in Section 8 subsidized housing, and would have
2 lost the subsidy if he stayed at Riverside for more than one month.

3
4 422. Because of this, R.V. kept trying to leave Riverside to ensure that his
5 home would not be taken away.

6
7 423. Tillman and Riverside's marketer at the time, Pena, told R.V. not to
8 worry about losing his house that they would pay the rent for R.V. to ensure he kept
9 his Section 8 subsidized housing.

10
11 424. Another patient who lived in Section 8 subsidized housing was R.S.

12 425. R.S. was admitted to Riverside with scabies and told by Dr. Ghaly that
13 he would only need to stay at Riverside for three days.

14
15 426. However, at the end of the three days, Dr. Ghaly told R.S. that he needed
16 to stay at Riverside another week.

17
18 427. Ultimately Dr. Ghaly told R.S. that he had to stay at Riverside for three
19 weeks.

20
21 428. Because R.S. had scabies, Riverside billed for R.S.'s stay under the
22 "isolation" code, which is billed at \$1,000 per day.

23
24 429. Riverside billed as if R.S. was in isolation even though R.S. refused to
25 stay in isolation conditions, and would often leave his room to walk around the
26 facility.

27
28

1 430. During R.S.'s stay, R.S. received therapy, although Orozco is unsure
2 what kind of therapy R.S. needed since his only diagnosis was scabies.
3

4 431. Concerned about his housing, R.S. was getting increasingly frustrated
5 with Dr. Ghaly and Riverside.
6

7 432. To calm R.S. down, and keep R.S. as a patient at Riverside, Tillman
8 offered to write a letter to the state to ensure R.S. would keep his Section 8
9 subsidized housing even if R.S. remained at Riverside for an extended period of
10 time.
11

12 433. R.S. became so frustrated with Riverside that he ultimately packed his
13 belongings and left Riverside.
14

15 434. Riverside, through its administrators, Ayrapetyan, and Robin, also
16 induces homeless patients to stay at Riverside for the 100 day maximum by offering
17 to pay for a motel room for the patient, once the patient is discharged from
18 Riverside, and work to get the patient into long-term housing.
19

20 435. When the homeless patients are discharged, Rhead, Martindale, Desai,
21 Pennachio or Ayrapetyan would go to a low quality motel, pay for one month's rent
22 in cash and then make no further attempt to assist the patient in obtaining long-term
23 housing.
24
25
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1 436. Orozco knows that Rhead, Martindale, Desai, Pennachio and
2 Ayrapetyan would do this because Orozco was in charge of the petty cash and
3 would have to give the cash to whoever was paying for the motel.
4

5 437. Ayrapetyan instructed Orozco to indicate in the records that the cash was
6 used to purchase wheel chairs.
7

8 **ii. Riverside pays cash to some patients to induce them to stay at**
9 **the facility.**

10 438. In addition to paying rent for some patients, Riverside, and the other
11 Rockport facilities Ayrapetyan oversees offers some patients, or the patients' family
12 members, cash to induce the patient to stay at Riverside for the 100 day maximum.
13

14 439. Orozco knows that this same practice of inducing patients to stay at the
15 facility by offering to pay the patient, or the patient's family, cash also occurs at all
16 of the other facilities Ayrapetyan oversees as well as Santa Ana, another facility
17 owned by Rechnitz where Smith and Martindale currently work.
18

19 440. Orozco recalls one patient, S.A. whose daughter was a drug addict.
20

21 441. S.A.'s daughter wanted to take S.A. out of Riverside because S.A. was
22 the daughter's representative payee for social security purposes.
23

24 442. Desai and Martindale agreed to pay the daughter \$50 a day to keep S.A.
25 in Riverside.
26
27
28

1 443. On another occasion, a patient B.C. walked out of Riverside and went
2 home because he was frustrated with having to stay at Riverside, and because he
3 was confused.
4

5 444. On the evening B.C. left Riverside, the Charge Nurse contacted the
6 Director of Nursing at the time, Elphete Zapanta and told Zapanta about B.C.
7 leaving.
8

9 445. Zapanta told the charge nurse to find B.C. and bring him back.
10

11 446. Based on this instruction, the charge nurse sent two Certified Nursing
12 Assistants ("CNA") to look for B.C.
13

14 447. When the CNAs found the B.C. wandering around, they offered to pay
15 him cash to come back to Riverside.
16

17 448. Orozco recalls another patient the staff referred to as Mr. Corona (not his
18 real name), who was a drug addict who left Riverside to do drugs.
19

20 449. At the daily meeting, it was brought to Ayrapetyan and Robin's attention
21 that Mr. Corona left the facility to seek, and use, drugs.
22

23 450. Upon hearing this, Ayrapetyan and Robin told the staff that they needed
24 to get Mr. Corona back.
25

26 451. One of the marketers at the time, Pena, spent the day looking for Mr.
27 Corona and ultimately found him.
28

1 452. Pena offered to give Mr. Corona money if Mr. Corona went back to
2 Riverside with Pena – this was despite the fact that drug use disqualifies a patient
3 for Medicare.
4

5 453. Riverside also pays for cab rides for family members of medicare
6 patients to come visit patients at Riverside.
7

8 454. But, if a patient's insurance switches from Medicare to Medi-Cal,
9 Riverside stops paying for the cab rides.
10

11 455. On one occasion, Dr. Ghaly told R.S., whose wife was at a different
12 hospital, that if R.S. stayed at Riverside, Riverside would allow, and pay for R.S. to
13 visit his wife.
14

15 456. Orozco knows that this practice of paying for a patient's or their
16 family's cab rides occurs at Orange Healthcare as well.
17

18 **iii. Riverside unnecessarily admitted Orozco's mother into**
19 **Riverside.**

20 457. In or around July 2013, Orozco took her mother, M.C., a Medicare
21 beneficiary at the time, for a routine checkup with Dr. Ghaly.
22

23 458. When Orozco dropped her mother off at the office, Orozco told her
24 mother to call when she needed to be picked up.
25

26 459. During M.C.'s visit, Dr. Ghaly told M.C. that she needed to go to the
27 hospital.
28

1 460. Based on this instruction, Orozco took her mother to Parkview
2 Community Hospital and again waited for her mother.

3
4 461. After approximately four hours of waiting, Orozco went into Parkview
5 to check on her mother.

6 462. Dr. Ghaly had admitted M.C. to the hospital and M.C. was not
7 discharged for three days, which was a qualifying stay under Medicare's
8 regulations.
9

10
11 463. While at Parkview, Dr. Ghaly encouraged M.C. to go to Riverside for
12 rehabilitation therapy even though it was unclear what type of skilled nursing
13 services or rehabilitation M.C. required for her medical condition.
14

15 464. Because M.C. was Orozco's child care provider at the time, Riverside's
16 administrator at the time, Rhead, and Ayrapetyan offered to hire a babysitter for
17 Orozco for two weeks while M.C. stayed at Riverside.
18

19 465. Additionally, Rhead requested, and Ayrapetyan approved, \$600 to pay
20 toward M.C.'s plane ticket to travel to Nicaragua to visit family after she was
21 released.
22

23 466. M.C. was only in the hospital for three days, for an unknown reason,
24 was not put on any medication, and did not require rehabilitation.
25

26 467. While M.C. was at Riverside, Dr. Ghaly avoided Orozco so as to not
27 have to discuss M.C.'s medical condition.
28

1 468. At the time, Orozco did not have access to patient's medical records or
2 charts and therefore could not see why her mother had been admitted to Riverside.

3
4 469. While at Riverside, M.C. did complain about knee pain, and received
5 physical therapy.

6
7 470. When it came time to discharge M.C. from Riverside, M.C. requested a
8 prescription for pain medication for her knee.

9
10 471. However, because Dr. Ghaly never evaluated M.C. for knee pain, and
11 did not prescribe any pain medication for M.C., Riverside's discharge nurse told
12 M.C. she could not receive a prescription for medication, but rather that she should
13 take some vitamins.

14
15 472. Upon leaving Riverside, M.C. went to another doctor who diagnosed
16 M.C. with knee problems, and wrote M.C. a prescription for her knee pain.

17
18 473. M.C. stayed at Riverside for two weeks, as Dr. Ghaly recommended.

19 **iv. Riverside purchases specialty items for Medicare patients to**
20 **keep them at the facility.**

21
22 474. When a patient indicates that they want to leave Riverside before their
23 Medicare approved service is up, Riverside's marketers, administrators,
24 Ayrapetyan, and Robin instruct Riverside's nurses to tell the patient that Riverside
25 will buy them whatever they want if the patients stays for the entire time approved
26 by Medicare.
27
28

1 475. Orozco recalls one Medicare patient, Mr. R.B, who did not need therapy
2 but was approved by Medicare to receive a high level of therapy.

3
4 476. Mr. R.B told his nurse, Harjinder Singh (who goes by the name "J.R."),
5 that he wanted to leave Riverside and was going to leave if Riverside didn't give
6 him \$5.00.

7
8 477. J.R. went to Tillman to ask for \$5.00 to give Mr. R.B, however, Tillman
9 was not in the office at the time, so J.R. asked Orozco for \$5.00 from the petty cash.
10

11 478. Even after Mr. R.B. left Riverside, he kept coming back to the facility to
12 ask for money, but Orozco would refuse to give Mr. R.B money.

13
14 479. In some instances, Riverside purchases new televisions for patients that
15 the patient can take home.

16
17 480. One patient, Mr. G., was brought to Riverside from Riverside
18 Community Hospital and did not want to stay at Riverside.

19
20 481. At one of the daily meetings, it was reported that Mr. G. did not want to
21 stay at Riverside.

22
23 482. Later that day, when Orozco asked Pena if he spoke with Mr. G, Pena
24 responded "Yea, we took care of it" and smiled at Orozco.

25
26 483. Later that day when Orozco went to Mr. G.'s room to speak with Mr. G.,
27 Orozco saw that Mr. G. had a large, forty inch television set in his room, when
28 Riverside's rooms only have nineteen inch television screens.

1 484. Orozco knows that Ayrapetyan approved the television Pena purchased
2 for Mr. G because the television was listed on Pena's expense report

3
4 485. In other instances, Riverside pays to have food delivered from a
5 patient's favorite restaurant to persuade the patient to stay.

6
7 486. If a patient wants a special food order, the administrators takes the
8 patient's order and then tells Perez to go and pick up the food for the patient; this is
9 a regular occurrence at Riverside.

10
11 487. Orozco recalls one patient, G.J., who liked to collect shoes and often
12 ordered shoes from the Eastbay magazine to be delivered to Riverside.

13
14 488. At some point during G.J.'s stay, some of the staff members started
15 complaining that G.J.'s shoes were taking up too much room.

16
17 489. When confronted about his shoes, G.J. told Desai that if he did not have
18 his shoes, he would leave Riverside.

19
20 490. In response, Desai acquiesced to letting G.J. keep all of his pairs of
21 shoes at the facility, and even purchased G.J. more pairs of shoes.

22 **v. Riverside allows Medicare patients to use drugs in the facility.**

23
24 491. It is common knowledge among Riverside management that some
25 patients are using drugs – some even joked that the cash they gave patients would
26 be used for drugs.

27
28

1 492. One Medicare patient, M.D., was known as a troublemaker, so Riverside
2 paid her to leave the facility, paid for her hotel, and reimbursed her for her share of
3 costs.
4

5 493. While M.D. was at Riverside, she often used drugs at the facility.

6 494. Under Riverside's policies, Riverside was supposed to discharge patients
7 if the patients use drugs in the facility.
8

9 495. In reality, when Riverside management or staff sees Medicare patients
10 using drugs, they ignore the problem.
11

12 496. One night, Orozco saw patients smoking weed outside of the facility.

13 497. Orozco told Registered Nurse Supervisor (PM shift) Adam Lomarda but
14 he said there's nothing she can do.
15

16 498. Orozco then told Rhead, who did nothing in response to her complaint.

17 499. At a later point, Orozco found a spoon and a lighter in a patient's room,
18 which is usually used for heroin use.
19

20 500. Orozco told Rhead about the spoon and lighter, but Rhead told her that
21 she could not assume that the patients were using drugs.
22

23 **III. Defendants Knowingly Present False Claims for Payment or**
24 **Approval to Medicare.**
25

26 501. Defendants knowingly present false claims or cause to be presented false
27 or fraudulent claims for payment or approval to Medicare by: assigning nearly all of
28

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1 its Medicare patients to rehabilitation therapy (unnecessary services); placing
2 almost all of its Medicare patients on the highest and costliest forms of
3 rehabilitation therapy (upcoding); failing to provide services for which they billed
4 but did not perform; and extending nursing stays (unnecessary services).
5

6 502. Ayrapetyan instructs all therapists and doctors to assign Ultra High
7 (RUx) RUG levels for patients' rehabilitation therapy.
8

9 503. This is so each patient is approved for the maximum amount of therapy.
10

11 **c. Riverside nurses do not adequately assess patients.**

12 504. When a patient is admitted to Riverside, the patient should be
13 assessed by the Director of Nursing and then assessed by one of the therapists to
14 determine whether or not the patient also needs therapy.
15

16 505. The doctor is then supposed assess the patient within five days of the
17 patient being admitted to ensure the patient needs skilled nursing care and sign off
18 on all of the patient's orders.
19

20 506. The doctors at Riverside do not usually come to assess the patient within
21 the first five days of the patient's stay resulting in unsigned or forged paperwork.
22

23 507. If the patient is admitted as a Medicare patient then the therapist is
24 always supposed to indicate that the patients need Physical Therapy ("PT"),
25 Occupational Therapy ("OT"), and Speech Therapy ("ST") every day.
26
27
28

1 508. After a patient has been at the facility for five days, the MDS Nurse is
2 supposed to complete the MDS assessment questionnaire online for the patient.

3
4 509. The MDS score correlates with the RUG level that the patient should be
5 assigned.

6
7 510. The MDS questionnaire is completed by filling out information in the
8 patient's chart as entered daily by therapy and the nursing staff.

9
10 511. The information is then supposed to be reviewed by the MDS Nurse
11 prior to being entered into the MDS questionnaire.

12 512. At Riverside, the licensed nurses do not chart on the patients every day
13 like they are supposed to, but rather one charge nurse, Mayra Gallegos is
14 responsible for charting on every single patient in the facility every single day.

15
16 513. Given the copious amount of work this requires, Gallegos often copies
17 chart notes from previous days or other patients to save time.

18
19 514. At Riverside, the MDS nurse, Lindsey Licup, does not review the chart
20 notes of the patient's assessment, and simply enters exactly what is written in the
21 patient's chart into the MDS questionnaire.

22
23 515. Since Gallegos is making up chart notes, Licup enters incorrect, made up
24 information into the MDS questionnaire for patients.
25
26
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28

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d. Riverside falsely inflates patients' diagnoses.

516. If a patient comes into Riverside for a minor issue, for example, to get an IV, or for scabies, Riverside will inflate the patient's diagnosis code in order to bill for some type of therapy.

517. The intake nurse or the doctor is responsible for assessing the patient and determining what the appropriate diagnosis code is for the patient.

518. Orozco as Riverside's biller was required to bill for whatever diagnosis was marked in the patient's chart because Orozco is not a nurse or doctor and cannot examine the patient to determine the patient's diagnosis code.

519. Sometimes the nurses at Riverside will not enter any diagnosis codes on the patients chart.

520. If this happened, Ayrapetyan and the administrators instructed Orozco to enter the first five codes available on the chart.

521. When Rockport's Medical Records Consultant, Gina Galang, saw that the nurses were not entering diagnosis code, Galang instructed the nursing staff that the MDS nurse is supposed to assign the diagnosis code and enter the primary and secondary diagnosis codes into the computer system, at which point Orozco is supposed to enter the diagnosis codes from the computer system into the billing system.

1 522. Riverside Business Office Consultant Anne Dixon (also known as
2 Chavai Williams) instructed Orozco to select five diagnosis codes to input in patient
3 charts.
4

5 523. Orozco, being inexperienced with billing codes, would perform
6 preliminary searches of diagnosis codes and insert them in the billing systems.
7

8 524. Every month, Orozco was supposed to meet with the MDS nurse, who at
9 the time, was Lindsey Licup, for a “triple check” meeting where the MDS nurse
10 would verify each patient’s diagnosis and chart was correct.
11

12 525. For a long time, Licup would not participate in the triple check
13 meetings.
14

15 526. When Orozco was promoted to biller in or around June 2014, Galang
16 required Licup to be at all triple check meetings.
17

18 **e. Riverside assigns nearly all of its Medicare patients to**
19 **rehabilitation therapy and places them on the highest level of**
20 **therapy possible.**

21 527. As described above, many of Riverside’ patients are not appropriate
22 candidates for rehabilitation because they can independently drive themselves to the
23 facility, can leave under their own power, or in the case of M.C., have no medical
24 condition that would require rehabilitation.
25
26
27
28

1 528. Riverside's therapists, per Ayrapetyan's instructions, keep patients'
2 RUG levels consistent throughout their time, suggesting no improvement despite
3 intensive therapy.
4

5 529. Riverside's therapy services are subcontracted through Integro
6 Rehabilitation.
7

8 530. Integro Rehabilitation's director of rehabilitation at Riverside used to be
9 Zandie Avendano, who was uncomfortable lying about a patient's therapy
10 requirements or health status.
11

12 531. When a patient was fully rehabilitated, Avendano would send an email
13 to Ayrapetyan stating that the patient had completed all their physical therapy and
14 that it was to release that patient from Riverside.
15

16 532. In response to Avendano's email, Ayrapetyan would ask Avendano how
17 many Medicare days the patient had left.
18

19 533. If the patient had more Medicare approved days left, Ayrapetyan would
20 tell Avendano "no" and to extend the patient's therapy plan.
21

22 534. Ayrapetyan sent these emails to the therapists daily.
23

24 535. Avendano found this difficult to do because often times the patients
25 were fully rehabilitated and there was no additional service the therapists could
26 offer the patient.
27
28

1 536. In or around November 2014, Avendano was promoted within Integro
2 Rehab, and Chris DeVera was hired to director of rehabilitation at Riverside.

3
4 537. DeVera had no problems following Ayrapetyan's directions to lie about
5 a patient's therapy needs, or extend the patient's therapy plan to extend the patient's
6 stay.

7
8 538. Licup would often tell the therapists that if a patient was receiving the
9 highest level of therapy services, the therapist would have to show some consistent
10 progress in their patient notes as it would look suspicious to say a patient was
11 declining, or not improving, for ninety nine days and then say the patient is fully
12 recovered on day 100.

13
14
15 539. In response to Licup's charting concerns, DeVera said, "I'm just doing
16 what Aneta [Ayrapetyan] told me."

17
18 540. Completing the MDS assessment to obtain the highest RUG level, and
19 keeping patients on therapy for the entire length of their approved stay is the
20 standard operating procedure at all of the facilities Ayrapetyan oversees.

21
22 **f. Riverside fails to provide the services for which it billed.**

23
24 541. Ayrapetyan and Tillman instructed therapists to continue to bill for
25 rehabilitation services even when the patient does not want to participate in therapy.

1 542. In instances where a patient does not want to participate in rehabilitation
2 therapy, the therapists are told to sit in the patient's room with the patient for forty-
3 five minutes and bill for the "services."
4

5 543. In many instances, the therapists would perform about fifteen minutes of
6 therapy but bill for forty-five minutes of therapy.
7

8 544. The administrators and Ayrapetyan instructed the therapists to document
9 this time with the patient as if they had performed services.
10

11 545. If a therapist mentioned during Riverside's daily meeting that a patient
12 does not want to participate in therapy, the administrator would say something to
13 the effect of "well make them be compliant, or I will make them be compliant."
14

15 546. To get the patient to be compliant with therapy, Tillman would go to the
16 patient's room and say "hey, why don't you come take a walk with me" and
17 Tillman and the patient would walk around facility and talk.
18

19 547. At the end of the walk Tillman would go to the therapist and tell the
20 therapist to document the walk as that day's therapy for the patient
21

22 548. One patient in particular, M.S. weighed close to 600 pounds and did not
23 want to get out of bed, or participate in therapy at all.
24

25 549. The therapist would come to M.S.'s bed, and give him little bar bells and
26 make him do ten curls.
27
28

1 550. This was considered his therapy for the day despite the fact the M.S. was
2 approved for, and being billed for the highest RUG level.

3
4 551. In some cases, when a patient did not want to participate in
5 rehabilitation, the therapist would indicate that the patient was “extremely weak.”

6
7 552. Orozco would later observe this same patient pushing other patients
8 around the facility in a wheel chair.

9
10 553. One patient Mr. R would often refuse to participate in rehabilitation but
11 would often push around a fellow patient, J.L.

12 **g. Riverside unnecessarily drugs certain patients to quell their**
13 **screams.**

14
15 554. Riverside has about four to five patients that are “screamers,” meaning
16 they scream and yell loudly for long periods of time, and the entire facility can hear
17 them.

18
19 555. Before any audits, important visits, or open houses, Riverside Licensed
20 Vocational Nurse David Alva told Orozco that he was instructed to “dope up”
21 patients to “put them to sleep” so they will not scream.

22
23 **IV. Defendants Submit False Records or Statements Material to False**
24 **Claims to Medicare.**

25
26 **a. Falsifying records related to patients’ share of costs.**

27 556. Every year, Medi-Cal and Medicare conducts an audit.
28

1 557. When Riverside is audited, the company simply creates fake receipts to
2 indicate that the patient did pay the 20% coinsurance and share of costs.

3
4 558. Additionally, Riverside maintains a policy not to throw any paper in the
5 trash cans but instead throw the paper in the shred bins.

6 559. Rechnitz owns a medical waste recycling company which comes to
7 Riverside every Monday to shred bins of paper.

8
9 **b. Doctors refuse to maintain accurate records; staff forge doctors’**
10 **signatures.**

11 560. Riverside maintains a protocol that requires all doctors to sign in and
12 record the patients they examine when they work at the facility.

13
14 561. Riverside created this protocol because family members of Riverside
15 patients were complaining to the staff that the doctors were never coming to see
16 their relatives.

17
18 562. Riverside wanted to be able to show the patients’ family members that
19 the doctors were coming to see the patients regularly.

20
21 563. Additionally, Riverside wanted to keep records of care to justify the
22 services being billed to Medicare.

23
24 564. The doctors at Riverside refuse to sign in or record which patients they
25 examined on the log.

26
27 565. Medicare requires the patient’s doctor to see the patient upon admission
28 and document why the patient is appropriate for treatment.

1 566. Dr. Pengson would not come to Riverside to see a patient until he had to
2 sign paperwork for the patient.

3
4 567. Medicare requires signatures on all medical orders and records.

5 568. A facility is not allowed to bill until all of the required paperwork is
6 signed by the patient's doctor.
7

8 569. At Riverside, sometimes the doctors would not sign all of the paperwork
9 required.

10
11 570. Orozco recalls one occasion in or around 2013 when Dr. Pengson
12 traveled to Europe for approximately two weeks.

13
14 571. During this time Dr. Pengson could not, and did not, sign any medical
15 records or documents for his patients.

16
17 572. When the doctors do not sign patient records, like when Dr. Pengson
18 was in Europe, Medical Records Director Carol Manly instructs Riverside staff to
19 forge the doctor's signature and date the document as if the doctor signed it.
20

21 573. According to Orozco, auditors have asked Riverside about the
22 inconsistencies of handwriting or ink between the signature and the date on certain
23 patient documents.
24

25 574. When an RN Supervisor complained about the paperwork and the
26 doctor's refusal to complete their patient log to Medical Records Consultant
27
28

1 Jonalyn Rivera, Robin told the staff to ignore the rule, and let the doctors continue
2 to do what they were doing.

3
4 575. Robin told staff that the doctors are allowed to do whatever they want
5 and if the doctors are upset, people would be fired.

6
7 576. Robin told Orozco specifically, "do not mess with the doctors."

8 **c. Riverside management directs its staff to falsify their signatures and**
9 **timesheets so that Riverside is in compliance with State-required**
10 **staffing levels.**

11 577. Skilled nursing facilities such as Riverside, and the other Rockport
12 facilities, are required to meet certain staffing requirements based on the number of
13 patients in the facility, called "PPD" requirements. For example, a Certified
14 Nursing Assistant cannot be responsible for any more than eight patients at a given
15 time.

16
17 578. Whenever Riverside has a staffing audit, managers are asked Riverside
18 staff to falsify employee signatures and time sheets to represent that Riverside is in
19 compliance with the State-required staffing levels.
20

21 579. Because of this payroll falsification, nurses will often be paid for hours
22 they do not work.
23

24 **d. Riverside instructs its employees to pretend to be Medicare patients**
25 **to ensure that benefits continue.**
26
27
28

1 580. A recent change in California law implements a program called Cal-
2 Mediconnect, which switches Medicare and Medi-Cal beneficiaries to HMO-
3 managed plans unless the beneficiary objects to the switch.
4

5 581. The HMO-managed plans will approve rehabilitation services only on an
6 as needed basis, not in chunks of time, like Medicare approves.
7

8 582. In many cases, Riverside's patients did not read the packet explaining
9 the law or the change to their plan either because they did not care, did not
10 understand, could not read the packet because of their medical condition, or could
11 not properly verify their identification over the phone to the State.
12

13 583. For many of the same reasons, many patients did not respond to the
14 information at all, thereby causing their insurance to be switched from Medicare or
15 Medi-Cal to an HMO-managed plan.
16

17 584. Tillman and Ayrapetyan instructed the administrative staff at Riverside,
18 including Director of Admissions Rebecca Brizuela, Assistant Business Office
19 Manager Brenda Ponce, Receptionist Dinorah ("Erica") Hamilton, Pena, a
20 volunteer named Mario Garcia, and Orozco to take turns calling the State and tell
21 the State that they were the patient or the patient's family member and request the
22 patient's insurance remain Medicare, and not be switched to an HMO.
23
24
25
26
27
28

1 585. Riverside staff only made these calls pretending to be patients for
2 patients who were not very alert, or who did not have family involved in their care,
3 thus taking advantage of the most vulnerable patients.
4

5 586. In or about September 2014, Dr. Ghaly sent an e-mail to Smith, who
6 then provided it to Orozco.
7

8 587. Dr. Ghaly's e-mail provided information for Riverside staff to relay to
9 patients and patient families outlining the benefits of disenrolling from the HMO-
10 managed plans and how enrolling in an HMO was bad for their Medicare benefits.
11

12 588. Tillman instructed the staff to print out the patient's face sheet (a sheet
13 that displays a patient's demographics and insurance information) and use the
14 information on the face sheet to verify the patient's identity over the phone to the
15 State.
16

17 589. Riverside's medical director, Dr. Pengson also instructs the Riverside
18 staff to encourage patients to disenroll from the HMO-managed health plans.
19

20 590. During a Quality Assurance Meeting in the January 2015, Dr. Pengson
21 attended the meeting and wanted to know what Riverside was doing to address the
22 automatic HMO-managed enrollment for its patients.
23

24 591. When Orozco told Dr. Pengson that the administrative staff was
25 speaking to the families and patients about the change, Dr. Pengson told Orozco
26 that the staff at Riverside needed to disenroll the patient no matter what, and the
27
28

1 staff should go so far as to tell the patients that Dr. Pengson does not accept the
2 HMO provider plan to encourage patients to disenroll.

3
4 592. Orozco knows that Orange engages in this same practice as Ayrapetyan
5 sent an email to the Riverside and Orange business office managers instructing
6 them to call the State as if they were the patient and disenroll the patient from the
7 HMO-managed plan.
8

9
10 593. When Orozco spoke with Orange's business office manager, Angie
11 Rivera, she asked Orozco what Riverside was doing about patients who were not
12 alert, or did not want to transition back to a Medicare managed plan.
13

14 594. When Orozco told Rivera that Tillman was instructing the Riverside
15 staff to call and pretend to be the patient, Rivera responded that Ayrapetyan had
16 instructed the staff at Orange to do the same, but that Rivera was not comfortable
17 doing that.
18

19 595. Riverside withholds medical services from patients who refuses to
20 disenroll from the HMO-managed plan.
21

22 596. R.B. was previously on Medicare and then switched to Medicare on
23 United Healthcare (an HMO); he frequently complained that Riverside nurses
24 treated him poorly ever since he switched to United Healthcare and that no one paid
25 attention to his needs.
26
27
28

1 597. When Rockport Regional Business Director Joy Smith was visiting
2 Riverside she learned about R.B.'s situation.

3
4 598. Smith wanted R.B. to disenroll from the United Healthcare and then
5 have a "change of condition" that would trigger a three-night hospital stay so that
6 he could qualify for 100 days of Medicare Part A.
7

8 599. However, R.B. was happy with United Healthcare and did not want to
9 disenroll from United Healthcare.
10

11 600. Later, Ayrapetyan learned of the situation and forced R.B. to call United
12 Healthcare to disenroll.
13

14 601. When R.B. got on the phone with United Healthcare, he refused to
15 disenroll and remained covered under United Healthcare.
16

17 602. However R.B. would sometimes complain that he did not feel well and
18 needed to go the hospital.
19

20 603. Ayrapetyan told the nurses at Riverside that they were not allowed to
21 send R.B. to the hospital until he disenrolled from the HMO-managed plan.
22

23 604. Starting around November 2014, through her termination in February
24 2015, Orozco witnessed nurses falsifying patient's conditions at least six times a
25 month.
26

27 **e. Riverside pressures patients to disenroll from private insurance in
28 order to receive Medicare benefits.**

 605. L.L. was one of Dr. Pengson's patients at Orange.

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606. L.L. was obese, bipolar, and suffered from gangrene on her feet.

607. In or about 2014, L.L. was on Medicare and Dr. Pengson recommended intense therapy for L.L.

608. However, a month later, when L.L. was no longer on Medicare but on an HMO plan, Dr. Pengson stopped therapy and refused to provide therapy unless LL disenrolled from her HMO.

609. L.L. was confused as to why Dr. Pengson stopped providing her with therapy because, while she was on Medicare, he told her she was in great need of the therapy.

610. Eventually LL disenrolled from her HMO, underwent a qualifying three night stay at a hospital and her 100 days of Medicare Part A benefits were refreshed.

f. Riverside falsifies patient conditions to re-certify a patient.

611. As previously discussed, a Medicare patient's benefit period includes 100 days of skilled nursing facility care as well as a sixty day wellness period.

612. During the sixty day wellness period, the patient must not be in a skilled nursing facility or hospital, or, if the patient remains in a skilled nursing home facility, the patient must not have received skilled care there for at least sixty days in a row.

1 613. Riverside triggers false “change of conditions” for its patients in two
2 situations: 1) for long-term patients; and 2) to get rid of patients who have
3 exhausted their 100 days of Medicare benefits.
4

5 614. To trigger the false change of condition, Ayrapetyan texts the nurses
6 responsible for patients at Riverside, and the other facilities she oversees, and tells
7 the nurse that “these patients need a change of condition today” and lists the
8 patients’ names.
9

10 615. After receiving this text, the nurse calls 911, claiming that the patient is
11 having heart or breathing problems.
12

13 616. An ambulance comes and picks up the patient and brings the patient to
14 Parkview.
15

16 617. Once at Parkview, the patient is usually assigned to Dr. Ghaly, Dr.
17 Pengson, or Dr. Tabel, depending on who the patient was assigned to at Riverside.
18

19 618. As previously described, Riverside pays Dr. Ghaly, Dr. Pengson, and
20 Dr. Tabel and these doctors will purposefully not examine the patient for three days.
21

22 619. After being in the hospital for three days, the patient is deemed to have
23 had a qualifying stay for Medicare’s purposes.
24

25 620. Whether or not the doctor discharges the patient to Riverside depends on
26 the type of patient’s insurance coverage.
27

28 **i. Long-term patients**

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1 621. Riverside has about twenty long-term care patients with Medicare
2 benefits.

3
4 622. Riverside provides these long-term patients with therapy for 100 days
5 using Medicare coverage.

6
7 623. When that 100 days exhausts, Riverside no longer provides the patients
8 with the therapy.

9
10 624. Instead, for sixty days, Riverside's RNA nurses will walk the patients
11 around the facility but will not provide them with any therapy.

12 625. Thus, the long-term patients have their sixty day wellness period at
13 Riverside.

14
15 626. Once the long-term patient completes his or her sixty day wellness
16 period, Riverside triggers a false "change in condition" to send the patient back to
17 the hospital for a three night qualifying stay; this refreshes the long-term patient's
18 100 days of Medicare benefits.

19
20 627. The long-term patient is then discharged to Riverside to receive 100
21 days of Medicare skilled nursing facility care, even though such services are
22 medically unnecessary.
23

24
25 **ii. Discharging patients who have exhausted their Medicare**
26 **benefits.**

27 628. After a patient has exhausted his or her 100 days of Medicare, usually
28 the patient will switch to Medi-Cal or private pay.

1 629. Riverside wants to minimize the number of Medi-Cal and private pay
2 patients it treats and maximize the number of Medicare patients it treats.

3
4 630. To usher certain patients out of Riverside, once the patient's 100 days
5 of Medicare have exhausted, Riverside triggers a change of condition to send the
6 patient to the hospital.

7
8 631. Then it is up to the hospital case manager or doctor to determine to
9 which facility to send the patient.

10
11 632. If the hospital case manager sends the patient (who is now either Medi-
12 Cal or private pay – not Medicare) to Riverside, Riverside will reject the patient
13 saying that it does not have enough Medi-Cal or private pay beds.

14
15 633. This method allows Riverside to quickly shed itself of patients who are
16 no longer covered under Medicare.

17
18 **V. Corporate Defendants Fail to Remit Overpayments to Medicare.**

19
20 634. Every quarter, Riverside is required to fill out a Medicare Overpayment
21 Report stating the amount the facility owes Medicare due to overpayments it
22 received during that quarter.

23
24 635. The first time Orozco saw this form, when she was promoted in the
25 spring of 2014, Orozco asked Riverside's Business Consultant Ann Dixon how to
26 complete the form.
27
28

1 636. Dixon told Orozco to enter zeros in all of the columns and have the
2 administrators sign the form.

3
4 637. Dixon instructed Orozco to enter all zeros even though, internally,
5 Riverside's accounting books show that Riverside receives overpayments from
6 Medicare.

7
8 638. The following month Orozco examined the form more closely and asked
9 Dixon why they would enter all zeros if they received overpayments.

10
11 639. Dixon responded that she would explain the process to Orozco at a later
12 time, but she never did.

13
14 **VI. Defendants Violate the California False Claims Act**

15 **a. Corporate Defendants discriminate against Medi-Cal patients.**

16 640. Defendants treated Medicare patients very well; they spent more time
17 with Medicare patients, responded to any concerns, provided gifts and cash, took
18 lunch requests, etc.

19
20 641. However, many patients who were previously on Medicare but later
21 switched to Medi-Cal noticed that when their insurance switched, so did
22 Defendants' treatment of them.

23
24 642. For example, when Medi-Cal patients complain about their food,
25 Riverside management ignores the complaints.
26
27
28

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1 643. However, when Medicare patients complain about their food, Riverside
2 management provides the patient whatever the Medicare patients wants, even if it is
3 against the patient’s medically-required diet.
4

5 644. If Medi-Cal patients complain that it is too hot in their rooms, Riverside
6 management ignores the complaints.
7

8 645. However, when Medicare patients complain about it being too hot in
9 their rooms, Riverside management provide the patients with an AC unit or a fan in
10 their rooms.
11

12 646. Most of Riverside’s patient rooms house two patients, however
13 Riverside had a private rooms – provided only to Medicare patients.
14

15 647. Riverside has three nursing stations.
16

17 648. Riverside places most of its Medi-Cal patients in station two which has
18 older rooms and the worst nurses.
19

20 649. As such, nursing station two – which consisted primarily of Medi-Cal
21 patients – gained the reputation of housing patients that “smelled” and “yelled all
22 day.”
23

24 650. Riverside also provides Medicare – but not Medi-Cal patients – with
25 specialty goods, such as blankets with Riverside’s logo imprinted on it or water
26 bottles also carrying Riverside’s logo.
27
28

1 651. While Riverside management instructs its staff to make daily visits to all
2 Medicare patients, it does not encourage these same visits to Medi-Cal patients.

3
4 652. All patients have “call lights” that they can trigger to request a nurse.

5 653. Riverside nurses often yell at Med-Cal patients and ignore their call
6 lights.

7
8 **i. Shared Costs**

9
10 654. While instructing Orozco and other Riverside staff to not collect shared
11 costs from Medicare patients, Ayrapetyan simultaneously told the staff to collect all
12 shared cost payments from Medi-Cal beneficiaries.

13
14 655. Despite waiving the shared costs for Medicare patients, Riverside
15 routinely tells Medi-Cal patients that they had to pay their share of costs.

16
17 656. Ayrapetyan instructed the staff to collect shared costs from all Medi-Cal
18 beneficiaries because Medi-Cal only pays \$200.16 per day for a patient’s stay at
19 Riverside, and the facility wants to recoup as much money as possible for Medi-Cal
20 patients.

21
22 657. One patient in particular, D.J., a Medi-Cal patient, frequently
23 complained to the staff and to the State of California that he felt discriminated against
24 because of his health insurance.

25
26 658. D.J. complained that Riverside tried to evict him but treated Medicare
27 patients very well.
28

1 659. Susan Reah, Riverside's business office manager prior to Orozco
2 assuming the position, quit her position because she felt pressure from Desai to
3 collect 100% of shared costs from Medi-Cal patients.
4

5 660. Rockport has its own collection department which aggressively attempts
6 to collect shared costs from Medi-Cal patients from all of its facilities, including
7 Riverside.
8

9
10 **b. Corporate Defendants provide kickbacks to employees to discharge
11 Medi-Cal patients.**

12 661. Corporate Defendants encourage employees to discharge Medi-Cal
13 patients, thereby making room for more lucrative Medicare patients, by providing
14 employees incentives to discharge Medi-Cal patients.
15

16 662. In or around March 2012, Robin approached Riverside's then Director
17 of Social Services, Ted Johnson, and told him that Riverside needed to start making
18 room for Medicare patients.
19

20 663. To achieve this, Robin told Johnson that for every Medi-Cal patient
21 Johnson was able to discharge from Riverside, Robin would pay Johnson \$100.
22

23 664. In or around February 2012, when Orozco started working payroll,
24 Johnson came to Orozco and asked for his bonus.
25

26 665. Since Orozco did not know what Johnson was talking about, Orozco
27 asked Riverside's administrator at the time, Chris Romney, about Johnson's bonus.
28

1 666. Romney told Orozco about Robin's deal with Johnson, and instructed
2 her to process the bonus in Johnson's paycheck.

3
4 667. The bonus is processed through payroll and the approval comes directly
5 from Robin.

6 668. Riverside often referred many of its Medi-Cal patients to facilities
7 owned by Joanie (last name unknown).

8
9 669. Joanie owned multiple assisted living facilities and board and care
10 facilities.

11
12 670. Joanie would often visit Riverside patients and recruit them to her
13 facilities.

14
15 671. Further, Corporate Defendants also provide Medi-Cal patients with
16 incentives to leave Riverside including paid hotel rooms and cash.

17
18 672. For example, in or about 2013, Riverside Administrator Micah Rhead
19 paid one patient, A.N, \$300 to leave the facility.

20
21 673. A.N. was previously on Medicare and was about to begin her Medi-Cal
22 coverage, as such Corporate Defendants did not want her at the facility and
23 provided cash as an incentive to leave.

24
25 674. Another patient, D.G., complained that she wanted to leave Riverside
26 because she felt that once she switched from Medicare to Medi-Cal Riverside did
27
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1 not treat her well and Riverside Case Manager Ted Johnson did not want to help her
2 find an apartment.

3
4 675. Orozco told Johnson what D.G. said, Johnson said he did not care about
5 D.G. and to let her leave Riverside.

6
7 676. Another example occurred in or about 2013 or 2014 when a Medi-Cal
8 patient Mr. S. came from Parkview Hospital with 100 days of Medicare.

9
10 677. Once his 100 days exhausted, Riverside case manager Johnson wanted
11 to discharge him quickly to make room for Medicare patients.

12 678. Johnson instructed Central Supply Director Yocelin Perez to drive Mr.
13 S. to his apartment.

14
15 679. Mr. S. lived by himself and his place was a mess; Perez did not feel
16 comfortable leaving him alone at his apartment but did so because of Johnson's
17 instruction.

18
19 680. When Mr. S. was left alone, he fell, was sent back to the hospital, and
20 died as a result of the fall.

21
22 681. Riverside discharged Mr. S. from Riverside even though he was not
23 healthy enough to go home; Riverside discharged Mr. S. to make room for
24 Medicare patients.
25
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c. Corporate Defendants fail to provide for services to Medi-Cal patients for which they had billed.

682. Corporate Defendants do not provide Medi-Cal services for which they bill the State.

683. In general, Riverside provides Medi-Cal patients with inadequate medical care.

684. For example, one Medi-Cal patient, Sheryl Reeves(last name unknown), was paralyzed from the neck down and was unable to reach the call light in her room.

685. Because Sheryl was unable to press the call light and because Riverside largely ignored her due to her insurance status, Riverside failed to rotate Sheryl in her bed causing Sheryl to suffer from severe bed sores.

686. Sheryl often complained that no one took care of her.

687. As a result, the California Department of Health issued Riverside a deficiency for their inadequate care of Sheryl.

d. Corporate Defendants submitted materially false information to Medi-Cal

i. Bed holds

688. When a rehabilitation patient on Medi-Cal has to go to the hospital, the facility in this case, Riverside, is required to hold the bed for seven days, and bill at a lower rate of \$185 per day.

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1 689. Because the doctors do not come to Riverside very often, many times the
2 nurses have to sign the bed-hold orders as if they were the doctors.

3
4 690. Orozco knows that other facilities under Ayrapetyan did this too.

5 691. Every year, the State performs an annual Medi-Cal audit where each
6 facility has to supply the bed-hold orders the doctors issued throughout the year.
7

8 692. At Riverside, Riverside Medical Records Director Carol Manly and
9 Riverside Medical Records Consultant Jonellyn Rivera would review all the bed-
10 hold orders prior to the audit, and have the doctors sign the bed-hold orders, or have
11 the nurses sign the doctor's name.
12

13 693. Sometimes Riverside would not even have a bed-hold order for a patient
14 who required one, so the nurses would have to create one.
15

16 694. Any time Medicare requests documents for an audit, Ayrapetyan has
17 Galang look over the documents, and sign for the doctors, or complete missing
18 documentation.
19

20
21 **ii. Medi-Cal audits**

22 695. As previously discussed, every year Medi-Cal and Medicare conduct an
23 audit.
24

25 696. Prior to the audit, Rockport sends Rockport's Medical Records
26 Consultant Gina Galang to Riverside prepare for the audit.
27
28