

BWC's
Special Investigations Unit

annual report

Special Investigations Department

Fiscal Year 2008 Annual Report



Ohio

Bureau of Workers'
Compensation

Special Investigations Department

Ohio Bureau of Workers' Compensation

Governor Ted Strickland | Administrator Marsha P. Ryan

The BWC special investigations department (SID) closed 2,965 cases during fiscal year 2008. It also referred 314 subjects for criminal prosecution. In addition, SID secured 102 indictments and 119 convictions and bills of information during fiscal year 2008.

As a result, SID contributed to BWC's goal to restore operational excellence by protecting the state fund and achieving the agency's performance objectives. These include providing stable costs; developing better services; establishing accurate rates; and creating safe workplaces.

Department personnel produced these results while working with the Office of the Inspector General's multi-agency task force investigating BWC. The task force's investigation required significant time and resources.

The task force obtained 19 state and federal criminal convictions. Mark D. Lay was the most recent. At a ceremony in February 2008, Inspector General Thomas P. Charles recognized 12 special investigations staff for their dedication and service to the task force. Additionally, 35 SID staff received commendation letters from Charles.

The department also realigned regional staff to increase loss prevention results and reduce SID's administrative costs. SID reduced its number of regions and regional special investigations special agents in charge. The department transferred its fraud hotline team to the BWC customer contact center. SID also reallocated existing resources for its cyber crime team, safety violations investigation unit, and BWC security services.

These strategies achieved their intended purpose of decreasing general operating and equipment expenses. These results exclude payroll and other personal services costs. Fiscal year 2008 expenses were \$226,203 or 11 percent less than in fiscal year 2007.

SID's fiscal year 2008 results reflect the combined efforts of many dedicated professionals. This annual review acknowledges shared successes with agencies with which we conducted joint investigations, associations of which we are members and other BWC departments with which we partnered to restore operational excellence.

This report also contains descriptions of noteworthy cases the department investigated during the past fiscal year. One involves a medical provider sentenced to three years in prison. Another involves a provider who signed a bill of information, pleaded guilty and agreed to pay the IRS \$92,148 and BWC \$2,103,188 in restitution. Another pertains to an employer who pleaded guilty to a felony forgery charge and which the court ordered to pay BWC \$187,699 in restitution. We hope you find these cases interesting.



Robert Coury
Chief of medical services and compliance



Thomas J. Wersell
Director of investigations

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Departmental overview

BWC's special investigations department (SID) investigates allegations of workers' compensation fraud. Ohio Revised Code (ORC 2913.48) permits the criminal prosecution of those who defraud the workers' compensation system.

Under Ohio law, workers' compensation fraud occurs when a person:

- Receives workers' compensation benefits to which he or she is not entitled;
- Makes false or misleading statements with the purpose of securing goods or services under the Workers' Compensation Act;
- Alters, falsifies, destroys, conceals or removes records or documents necessary to establish the validity of a claim, or necessary to establish the nature of goods and services for which reimbursement is requested in a claim;
- Enters into an agreement for conspiracy to defraud BWC or a self-insuring employer by making false claims for disability benefits.

The department is comprised of several types of teams:

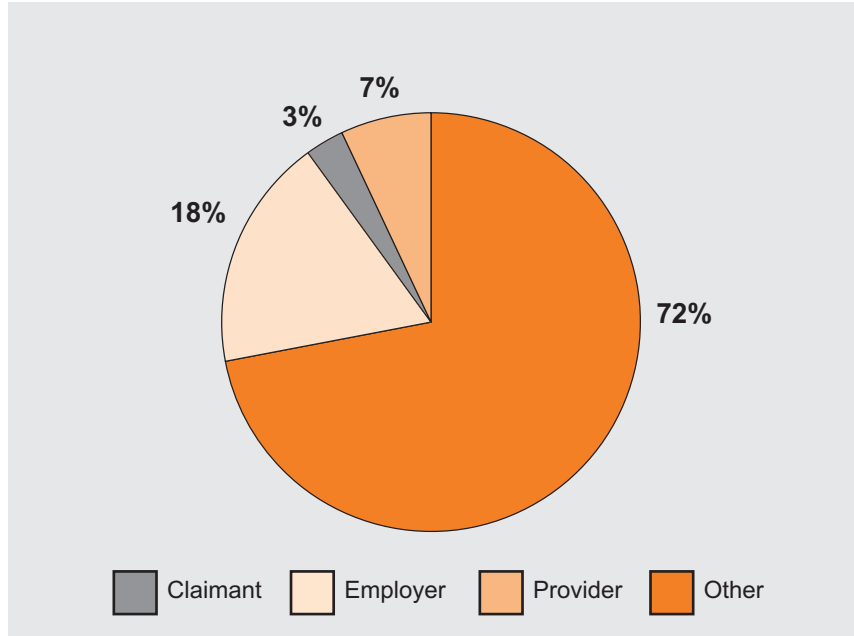
- Four regional claimant fraud special investigations teams operate in most customer service offices;
- The health care provider team (HCPT), premium enforcement team and safety violations investigation unit (SVIU) are each comprised of team members located throughout the state;
- The automated detection & intelligence team (AD&I); cyber crime team (CCT); and BWC security services operate through BWC's central office.

Performance measurements

The SID closed 2,965 investigations in fiscal year 2008. These cases represent more than \$73 million in savings. During this last year, the department received, researched and processed 5,135 new fraud allegations.

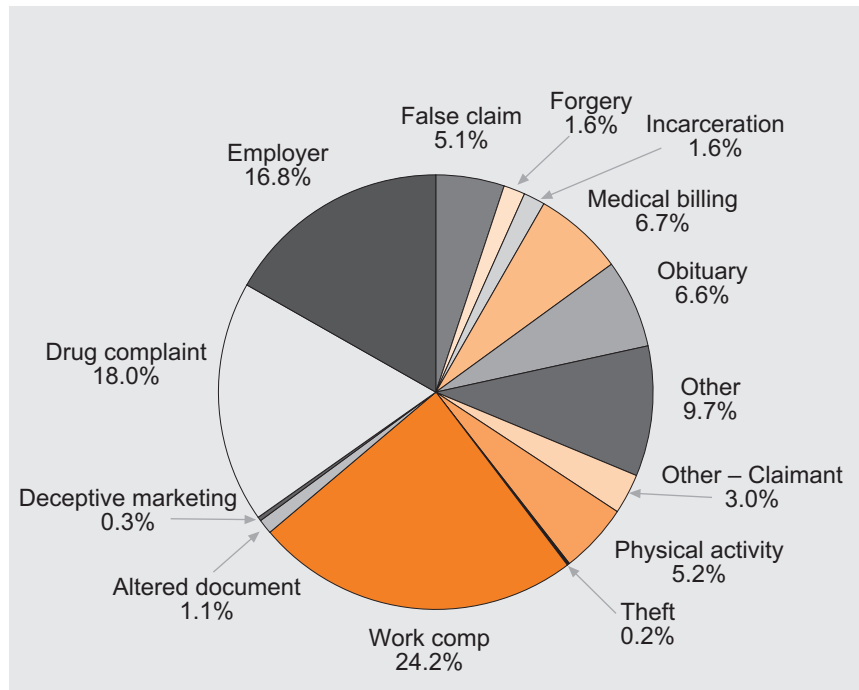
Of the 2,965 cases closed, 72 percent pertained to claimant fraud subjects. In addition, 18 percent of the closed cases pertained to employer fraud subjects. Also, 7 percent of the closed cases pertained to provider fraud.

Subject types investigated

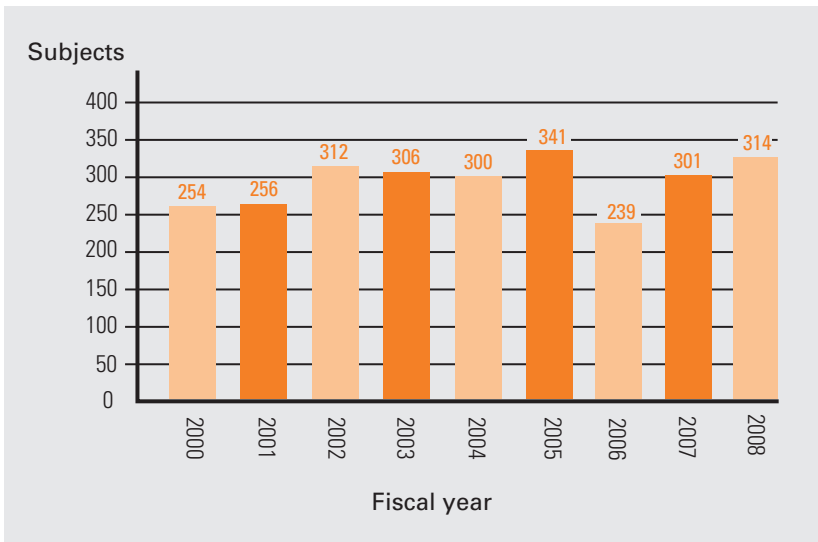


At 24 percent, the most common complaint type investigated in fiscal year 2008 was work/comp. These complaints involve allegations of claimants working while receiving compensation. Drug complaints were the second most common complaint type investigated at 18 percent. These complaints involve allegations of claimants receiving narcotics in a pattern that suggested drug trafficking, fraud or abuse.

Complaint types investigated

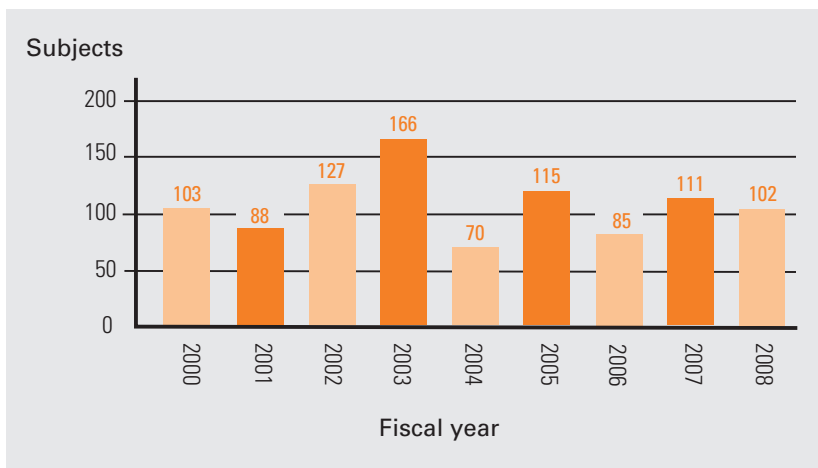


Subjects referred for criminal prosecution



During fiscal year 2008, the department referred 314 subjects for criminal prosecution. Last year, there were 301 referrals.

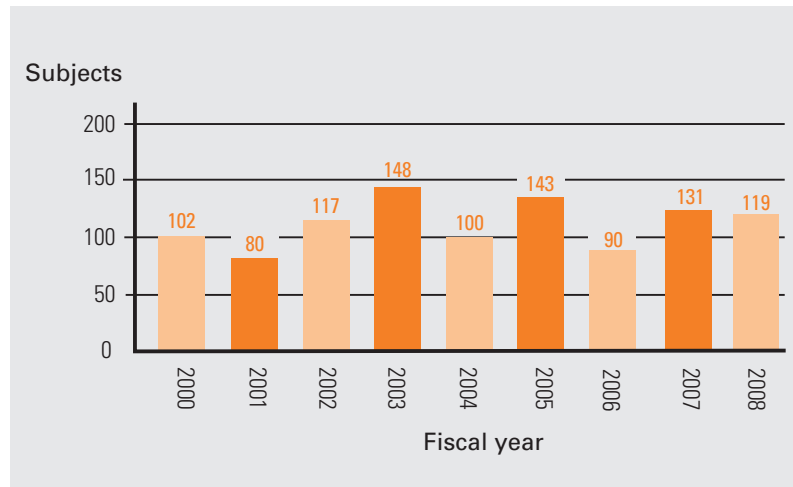
Subjects indicted



The department's referrals for criminal prosecution secured 102 indictments.

The department obtained 119 convictions and bills of information.

Subjects convicted and bills of information filed



These results illustrate the bureau's fraud-prevention efforts were very effective in fiscal year 2008. The department generated these results while also working with a multi-agency investigative task force. The task force required much time and many resources. It prevented the SID from sustaining the record level of performance achieved during fiscal year 2005. However, the benefits of holding individuals accountable and pursuing criminal sanctions are the department's main priority. The department expects these results will restore trust and rebuild confidence. The next section describes the investigative outcomes generated by the task force.

Multi-agency investigative task force

Since April 2005, the SID has been involved with an ongoing joint investigative federal/state task force. The task force, formed and led by Ohio Inspector General Thomas P. Charles, investigates allegations of fraudulent activities associated with BWC investments, manual overrides of employer premium rates and other matters.

The task force included more than 150 individuals from:

- BWC SID;
- Department of Justice, FBI;
- Ohio State Highway Patrol;
- Ohio Office of the Inspector General;
- Ohio Department of Commerce – Division of Securities;
- Ohio Ethics Commission;
- U.S. Attorney's Office – Northern District of Ohio;
- U.S. Attorney's Office – Southern District of Ohio;
- Columbus City Attorney's Office;
- Franklin County Prosecutor's Office;
- Lucas County Prosecutor's Office.

Approximately 60 SID staff participated in the task force's investigations. This included:

- ✓ Conducting surveillance, inventory, search warrant and analysis;
- ✓ Preparing evidence, exhibits and witnesses;
- ✓ Reviewing records from BWC, brokers and other subpoenaed information;
- ✓ Interviewing people either directly or indirectly associated with BWC investments;
- ✓ Compiling and reviewing records of other persons or companies of interest;
- ✓ Working directly with federal and state agencies;
- ✓ Providing on-site support to the prosecutors during criminal trials.

SID staff also provided sworn testimony at trials regarding their work on the task force. The rigorous work successfully completed by the multi-agency investigative task force to date has resulted in 19 criminal convictions. The most recent conviction was that of Mark D. Lay.

Mark D. Lay

On June 14, 2007, a federal grand jury in the U.S. Northern District of Ohio in Cleveland indicted Lay on the following felony charges:

- One count of investment advisory fraud;
- One count of conspiracy to commit or attempt to commit mail and wire fraud;
- Two counts of mail fraud.

The indictment pertained to Lay's management of a hedge fund called the MDL Active Duration Fund. This indictment was a result of the investigation conducted by the multi-agency investigative task force. The investigation revealed Lay had breached his fiduciary duty to BWC because he failed to act in the agency's best interest with regard to the way he operated the hedge fund.

The investigation determined it was permissible for Lay to borrow and invest up to 150 percent of the value of the hedge fund. Called leveraging, it is an investment strategy that magnifies gains. However, it also increases the risk associated with an investment and magnifies possible losses.

The investigation found Lay regularly leveraged the hedge fund well in excess of the permissible 150 percent limitation — up to 12,808 percent. As a result, in just 14 months the hedge fund lost approximately \$216 million of BWC's \$225 million investment. The investigation determined \$212.9 million of that loss was directly attributable to Lay's leveraging in excess of the 150 percent limit. Additionally, the investigation discovered that Lay conspired with others. He also attempted to conceal his overleveraging of the hedge fund.

On Oct. 30, 2007, after a two and one-half week trial, a federal jury in the U.S. Northern District of Ohio in Akron found Lay guilty on all four counts.

The rigorous work successfully completed by the multi-agency investigative task force to date has resulted in 19 criminal convictions. The most recent conviction was that of Mark D. Lay.

“Investigators from each agency carried out their duties masterfully,” said Inspector General Charles. “The commitment and teamwork of all involved in these investigations were key in successfully carrying out the mission of this task force.”

On July 8, 2008, a federal judge in the U.S. Northern District of Ohio in Akron sentenced Lay to serve 12 years of incarceration. The judge also ordered him to pay \$212.9 million in restitution to BWC.

Charles honors task force

Even before Lay’s conviction and sentencing, Charles formally recognized 12 SID staff for their dedication and service to the task force. Additionally, 35 SID staff received commendation letters from Charles.

BWC Administrator Marsha Ryan joined Charles and U. S. Attorney Gregory White in the ceremony recognizing the efforts of the multi-agency investigative task force.

“Investigators from each agency carried out their duties masterfully,” said Inspector General Charles. “The commitment and teamwork of all involved in these investigations were key in successfully carrying out the mission of this task force.”

Training

During fiscal year 2008, 128 SID employees completed more than 400 training seminar topics or sections.

The department’s training committee benchmarked industry trends and identified quality no-cost training courses. For example:

- 10 SID employees attended an interview and interrogation class hosted by the Department of Insurance and instructed by the Multijurisdictional Counterdrug Task Force;
- 11 SID employees attended workers' compensation investigations training hosted by the U.S. Department of Defense, Defense Finance and Accounting Service.

Newly hired staff participated in the SID’s new hire orientation and training program. To build investigative skills, they also attended the training academy and participated in the field training officer program. In addition, new supervisors attended *Transitioning Into Leadership* and *Leading Your Employees To Success From The Start*.

Recommendations

In fiscal year 2008, the SID provided recommendations to other BWC departments. The department made these recommendations to implement Governor Ted Strickland's *Executive Order 2008 – 04S: Implementing Common Sense Business Regulation*. This executive order requires agencies to:

- Review existing rules and processes;
- Treat those affected by their rules and regulatory processes as customers;
- Treat them consistently across regions, offices and departments;
- Consolidate regulatory rules and processes.

For example, special investigations staff recommended the agency:

- ✓ Create an employer compliance department to ensure Ohio employers have workers' compensation coverage, per law;
- ✓ Expand the BWC drug utilization review process;
- ✓ Annually furnish a report to each provider with the dollar amount billed under the respective provider number as a servicing provider and the name of the pay to provider who received each payment from BWC;
- ✓ Modify the *BWC Caregiver Agreement*, adding a requirement that caregivers notify BWC of any inpatient hospitalization;
- ✓ Modify the *First Report of an Injury, Occupational Disease or Death* (FROI), to create a two-sided document with English on one side and Spanish on the other side;
- ✓ Modify the online *Application for Coverage* to capture the name of the submitter, rather than accepting "Anonymous BWC User";
- ✓ Send an annual update letter to employers to capture changes in demographics or operational changes.

Strategic and long-range planning

The department formed a strategic planning committee to develop operational strategies and implement long-range planning over the next five years. The committee, comprised of representatives from each team, benchmarked, planned and executed the following customer-focused service improvements and operational efficiencies:

- The department realigned regional staff to increase loss-prevention results and reduce SID's administrative costs;
- SID administration proposed and then executed the transfer of its fraud hotline team to the BWC customer contact center, eliminating redundancy and improving efficiency;
- The department reduced its number of regions and regional special investigations special agents in charge from four to three. Both actions decreased SID's administrative costs by reducing an unnecessary cost;

The department's benchmarking, strategic planning and performance measurements helped to reduce its general operating and equipment costs.

- The department reallocated existing resources. It requested additional funding for the CCT, SVIU, and BWC security services due to increasing demands for their customer services;
- The department collaborated with other BWC departments to implement BWC Governance Portfolio projects, the agency's most important, enterprise-wide strategic and long-range plans.

General operating and equipment costs

You can measure the effectiveness of SID's strategic and long-range planning by analyzing its fiscal year 2008 administrative costs. The department reduced general operating and equipment costs to \$1,890,883. These costs exclude payroll and other personal service expenses. These costs are \$226,203 or 11 percent less than the department's fiscal year 2007 costs. Therefore, the performance measure appropriately reflects management of controllable costs.

Once the department pays existing encumbrances, projections indicate the SID will have spent \$16,505 less than its approved fiscal year 2008 budget.

The department's benchmarking, strategic planning and performance measurements helped to reduce its general operating and equipment costs. By managing operating costs, SID generates stable costs for BWC customers. Achieving stable costs is one of the agency's four performance objectives for restoring operational excellence.

Operational initiatives

Health care provider team

The HCPT identifies and investigates the fraudulent activities of:

- Health-care providers;
- Durable medical equipment companies;
- Third-party administrators;
- Managed care organizations (MCOs).

This team includes investigative staff located throughout the state. During fiscal year 2008, HCPT processed 214 new allegations, executed seven search warrants and closed 120 investigations. The team referred 24 subjects for criminal prosecution to the Office of the Attorney General of Ohio, U.S. Attorney's Office, the Commonwealth of Kentucky, and local prosecutors. The team employed various strategies, including undercover operations, grand juries and expert testimony by a medical specialist.

Employer fraud/compliance

The premium enforcement team has dedicated agents across the state to conduct employer fraud investigations. During fiscal year 2008, the team processed 585 new allegations and closed 296 investigations. The team identified \$6,238,576 of the department's \$7,070,582 in premium and penalty savings, and referred 34 subjects to state and local prosecutors for criminal prosecution.

Drug-related fraud savings

The department reviewed claims data of claimants who received narcotics in a pattern that suggested drug trafficking, fraud or abuse. During fiscal year 2008, AD&I referred 793 drug-related allegations, and SID identified \$14,114,055 in drug-related fraud savings. Importantly, this initiative meets another of BWC's dozen key deliverables – targeted loss prevention. This initiative is an example of how SID affects both loss costs and claim costs. By managing loss costs, BWC generates stable costs for its customers and achieves a performance objective of restoring operational excellence.

Fugitive Task Force

The SID's Fugitive Task Force (FTF) works closely with local law enforcement, the U.S. Marshal's Service and the Office of the Attorney General of Ohio to locate subjects with outstanding arrest warrants for BWC related charges although the SID is a criminal justice agency, it does not have the power to affect an arrest. Therefore, FTF agents conduct surveillance, locate their fugitives and then alert local law enforcement agencies. Local authorities execute the arrests, often with FTF agents present.

During fiscal year 2008, 30 FTF arrest warrants were resolved. The subjects of these warrants were associated with \$492,399 in overpayments; i.e., administrative and/or court-ordered restitution (reference table below).

Nature of the resolution of the warrant	Number of warrants resolved	Number resolved with FTF involvement	Overpayments
Arrested by a sheriff's office	15	6	\$118,579
Fugitives turned themselves in	6	4	\$317,218
Warrant closed or recalled	5	0	\$50,979
Arrested by local law enforcement	3	0	\$540
Arrested by U.S. Marshal's Service	1	1	\$5,082
Total	30	11	\$492,399

Collaboration with other agencies continues to generate even more investigative success for BWC.

Joint investigations conducted with other agencies

The SID jointly completed investigations with 91 external agencies. These included local, state and federal agencies, such as:

Local agencies: Dozens of police departments, sheriff's offices and county prosecutors;

State agencies: Department of Job and Family Services of Ohio; Ohio Medicaid Office — Fraud Control Unit; Office of the Attorney General of Ohio — Bureau of Criminal Identification and Investigation; Ohio Bureau of Motor Vehicles — Investigative Unit; Ohio Department of Taxation; Ohio Ethics Commission; Ohio Medical Board; Ohio Office of the Inspector General; and the Ohio State Highway Patrol;

Federal agencies: U.S. Attorney's Office, Health Care Fraud Task Force; U.S. Department of Justice, FBI; U.S. Drug Enforcement Administration; U.S. Postal Inspector's Office; U.S. Social Security Administration — Fraud Division.

Collaboration with other agencies continues to generate even more investigative success for BWC. As the department demonstrates professionalism and achieves results, other agencies are increasingly willing to exchange information and conduct joint investigations with BWC. These collaborative efforts save scarce fiscal resources for all agencies involved. They also demonstrate the agency's commitment to partnering with other governmental entities to act as an enterprise of the State of Ohio.

Customer education and outreach

The department completed 116 educational presentations to educate BWC customers and employees about the agency's fraud prevention and workplace safety successes. Through these presentations, SID staff communicated successful service reforms and operational improvements.

Customers included employers; safety councils; universities and colleges; professional, civic and student associations; medical providers and MCOs; and BWC/IC employees.

For example, SID staff conducted 76 presentations to various customers statewide on topics such as building security; workplace violence; fraud overviews and investigative techniques. Staff also conducted presentations on defusing hostile people and hostile situations; and safety and security.

Customers that attended SIU educational activities include:

- 4th Annual Investigator and Fraud Examiner Training Conference attendees;
- Investigative professionals from the Ohio Department of Taxation;
- Law enforcement officers attending the Ohio Peace Officers Training Academy;
- Northeast Ohio Society of Resource Managers;
- Ohio Department of Transportation staff;
- Ohio employers attending an Accident Analysis course at Owens Technical College;
- The Ohio State University MBA and MSA students in a Fraud Examination class.

These and other interactions established good, multi-directional communication with customers and restored trust. They exhibited the agency's customer focus. They educated customers about the agency's mission and value; purpose and outcomes; and performance objectives and measures. They demonstrated the agency's commitment to actively combat workers' compensation fraud. The department expects these activities will also deter fraud, while increasing the likelihood customers will report suspected workers' compensation fraud to BWC.

Performance results by team

SIU prosecution and savings identified results

The table below specifies the fiscal year 2008 prosecution and savings identified results by team.

Special investigations team	Prosecution referrals	Indictments	Convictions	Identified savings
Northeast	85	27	35	\$22,667,541
Northwest	47	18	9	\$9,513,772
Southeast	50	8	17	\$17,066,558
Southwest	74	32	45	\$14,121,078
HCPT	24	5	4	\$3,920,912
Premium enforcement team	34	12	9	\$6,238,576
Total	314	102	119	\$73,528,436

Automated detection & intelligence team

This team is primarily responsible for proactively detecting fraudulent activity and compiling electronic information for field investigations. It generated significant performance outcomes during fiscal year 2008, including:

- Identified \$19,630,064 in savings, exceeding the annual goal of \$15 million by 31 percent;
- Referred 1,081 allegations for investigation, exceeding the annual goal of 575 by 88 percent;
- SIUs elevated 88 percent of the team's allegation referrals to case status;
- SIUs found fraud in 65 percent of team's allegation referrals that resulted in closed cases, exceeding the annual goal of 50 percent;
- Processed 5,420 requests and compiled data intelligence for field investigations;
- Partnered with field operations to expand the BWC drug utilization review process. The team completed comprehensive reviews of prescription data and furnished monthly lists of identified claims and supporting data to field operations;
- Completed various detection runs, including drug trafficking/deception to obtain, employer noncompliance and health-care provider projects. Also, completed cross match of data for working and receiving conflicts, underreporting payroll, and operating with a liquor license and no workers' compensation coverage.

SVIU requested and secured its first civil penalty, issued by the IC, against an employer for failure to comply with a correction order in response to a Violation of a Specific Safety Requirement.

Cyber crime team

The CCT is comprised of three full-time staff and five task-force members from regional SIUs. The team:

- Conducts forensic analysis of computer data to secure evidence for workers' compensation fraud investigations;
- Investigates Internet fraud, including allegations of identity theft and unauthorized account activation, and internal misconduct cases;
- Assists other state and local agencies. This demonstrates the agency's commitment to partnering with other governmental entities in the enterprise of the State of Ohio.

Commencing in fiscal year 2008, the team is the information technology resource for investigations conducted by BWC labor relations, BWC security services and the deputy inspector general assigned to BWC. With this additional responsibility the team's workload has increased significantly.

During fiscal year 2008, the team achieved the following results:

- Conducted forensic examination on approximately seven terabytes of data (equivalent to 45 miles of shelved books);
- Assisted with the imaging of 139 computers pertaining to 18 cases;
- Assisted local law enforcement and other state agencies with the imaging and analysis of computers for their cases;
- Assisted the Ohio Office of the Inspector General with several BWC and external cases;
- Completed the imaging of computers and analysis of computer and BWC Infrastructure & Technology Division reporting data for internal investigations.

Safety violations investigation unit

The SVIU directly achieves one of BWC's four performance objectives for restoring operational excellence: creating safe workplaces. The team enhances safety in the workplace by providing impartial and comprehensive investigations into the circumstances surrounding grieved claims of industrial or construction fatalities, injuries and/or illnesses for determination by the Industrial Commission of Ohio (IC) on any violation of OAC specific safety requirements. The SVIU is responsible for investigations of all alleged safety violations filed with the IC. Eight SVIU investigators operate statewide to minimize the costs of completing assigned investigations within 90 days.

The team achieved the following results:

- Completed 403 investigations;
- Completed more than 91 percent of the investigations within the 90-day goal;
- Conducted follow up visits with employers to ensure compliance with safety violation correction orders issued by the IC;
- Requested and secured its first civil penalty, issued by the IC, against an employer for failure to comply with a correction order in response to a Violation of a Specific Safety Requirement.

BWC security services

The team's primary role is to furnish security services, threat assessment and internal investigations to all BWC staff statewide. The team is the agency's liaison to the deputy inspector general assigned to BWC and furnishes investigative resources to the BWC labor relations department and the Ohio State Highway Patrol. This team also achieves the BWC performance objective for restoring operational excellence: creating safe workplaces. The unit's achievements during fiscal year 2008 include the following:

- Co-conducted security and safety training for BWC employees located in 18 BWC facilities in conjunction with BWC facilities and BWC safety administration;
- Opened 132 BWC security cases and referred 39 to local and state law enforcement;
- Conducted joint investigations with local and state law enforcement pertaining to thefts of non-state owned equipment;
- Conducted biannual audits of the access control cards for eight customer service offices regulated by the central office;
- Monitored security equipment installations and upgrades for customer service offices and the central office. Partnered with IT to continue the security system upgrade in the BWC central office;
- Commenced implementation of Automated Critical Asset Management System in conjunction with the Ohio Department of Homeland Security and the Ohio Department of Public Safety;
- Processed more than 25 new allegations of fraud or misconduct;
- Closed investigations resulting in the following outcomes:
 - Three investigatory findings and referrals by the deputy inspector general resulted in severe disciplinary action, including reimbursement to BWC by the subject;
 - Three removals / resignations;
 - One referral for criminal prosecution (pending);
 - Two criminal convictions.

For example, in conjunction with the Ohio State Highway Patrol, the team secured the following criminal conviction:

Marlene Woodruff — Employee misconduct

On Aug. 30, 2007, the SID received an allegation from a source claiming Marlene Woodruff, a BWC claims service specialist, sold non-public claim information to a private investigator. Woodruff worked at BWC's Cleveland Lausche Customer Service Office.

The Northeast regional SIU and the Ohio State Highway Patrol (OSHP), Cleveland Investigations Office immediately launched a joint investigation. It revealed Woodruff received payment for releasing injured worker and claim information.

During an interview, the private investigator confirmed he made payments to Woodruff. In exchange, Woodruff gave him BWC sensitive information.

In an interview conducted on Nov. 1, 2007, by a SID agent and an OSHP trooper, Woodruff admitted to selling BWC information to the private investigator. She admitted she had sold the private investigator BWC information for several years. Following the interview, BWC immediately suspended Woodruff. She then retired.

BWC notified the injured workers whose claim information Woodruff improperly disclosed.

A Cuyahoga County Court of Common Pleas indicted Woodruff on Jan. 14, 2008, on one first-degree misdemeanor count of soliciting or receiving improper compensation.

On Jan. 24, 2008, in the Cuyahoga County Court of Common Pleas, Woodruff pleaded guilty to the original indictment. The court ordered Woodruff to pay a \$1,000 fine and court costs within 60 days.

10 Noteworthy SIU cases

Case #1

**Plas-tix USA Inc.
and Glenn Layman**
Lapsed coverage

On Oct. 4, 2006, the SID received an allegation that Plas-tix USA Inc. was operating and owed a large premium balance to BWC. Initial research determined the company had canceled its coverage.

An investigation by the Southwest regional SIU found two separate policies for Plas-tix USA. Under the first policy, Glenn Layman, president of Plas-tix USA, notified BWC via a letter, dated April 2, 2004, that his business had ceased operation. The letter instructed BWC to cancel the former employer's policy. Under the second policy, Glenn's son, Gary Layman, had obtained coverage for a similar business at the same address.

BWC subsequently combined the second policy with the first policy. The combined policies owed BWC \$103,473 in premium.

Agents met with Jennifer Heapy of the Montgomery County Prosecutor's Office who agreed to combine BWC's case with a similar case against Glenn. The Ohio Department of Taxation and the City of Miamisburg had referred that case for unpaid taxes and fees.

On Feb. 28, 2007, a Montgomery County Court of Common Pleas grand jury indicted Glenn for one fourth-degree felony count of grand theft and one fifth-degree felony count of failing to remit state income tax.

On Sept. 6, 2007, in the Montgomery County Court of Common Pleas, Glenn pleaded guilty to one first-degree misdemeanor count of petty theft and one fifth-degree felony count of failing to remit state income tax. On Oct. 3, 2007, the court sentenced him to serve five years of community control, attend the theft clinic and pay a \$50 fine and restitution. The court also ordered him to pay the following restitution: \$11,208 to the City of Miamisburg; \$56,080 to the State of Ohio; and \$103,473 to BWC.

Case #2

Jay D. Smith, D.C.
Billing for services
not rendered

On March 6, 2007, the SID received an allegation indicating Jay Smith, D.C. billed BWC for ultrasound treatments when he only provided hot pack treatments. In September 2003, BWC had notified medical providers that hot pack treatments would no longer be a paid service.

From March to August 2007, HCPT conducted patient and employee interviews. It determined Smith never provided an ultrasound treatment to patients. HCPT also determined Smith had directed his patients to provide false information to investigating agents.

On May 1, 2007, HCPT referred the case to the Office of the Attorney General of Ohio for criminal prosecution.

On April 17, 2008, Smith pleaded guilty in the Franklin County Court of Common Pleas to one fifth-degree felony count of complicity to commit obstruction of justice. The court sentenced Smith to serve six months of incarceration (suspended). It also sentenced him to one year of community control with basic supervision, including 40 hours of community service. In addition, the court ordered him to pay BWC \$11,479 (\$9,279 in restitution and \$2,200 investigative costs).

Case #3

Michael W. Stinson and Reconditioning & Exercise Physiology Specialists (REPS)

Billing for services not rendered and non-licensed provider for services rendered

On April 28, 2004, the HCPT received an allegation from the AD&I team. The allegation charged Michael Stinson billed BWC using a former employee's electronic signature. The billings were for services the former employee did not perform. Stinson owned Reconditioning & Exercise Physiology Specialists (REPS).

Additional sources alleged Stinson fraudulently billed BWC for the following: services not rendered; services in excess of the time maximum for a given procedure; additional dates of service not provided; and services provided by individuals not licensed in Ohio to perform the services rendered.

The HCPT investigation determined Stinson's bills to BWC routinely indicated REPS was the pay to provider. Stinson specified other providers as the servicing providers. However, the treatment notes submitted to BWC indicated Stinson was the servicing provider/therapist. In addition, the servicing provider listed on the billings was not in attendance and did not perform the service. The rubber-stamped signatures on the billing and treatment notes specified the name of a former REPS employee.

Agents learned from witnesses and undercover operations that Stinson identified himself as a physical therapist. They also learned Stinson conducted physical therapy treatment on BWC claimants. He did so without proper training or supervision from a licensed provider. Agents secured information from various Ohio Medical Board affiliates. Affiliates included the Ohio Occupational Therapy, Physical Therapy and Athletic Training Board. With this information, they determined Stinson did not possess a license to conduct treatment of BWC claimants.

On Aug. 14, 2006, HCPT referred the case to the Office of the Attorney General of Ohio for criminal prosecution.

On Sept. 19, 2007, agents contacted Stinson at a central Ohio YMCA facility. Stinson admitted to agents that he treated claimants without the proper license. He also disclosed he used the signatures of current and former REPS employees on documents.

HCPT reviewed Stinson's billing data and calculated a criminal overpayment in excess of \$2.1 million. During the investigation, HCPT learned that Stinson was the subject of a federal investigation.

On April 14, 2008, Stinson signed a plea agreement. On April 25, 2008, attorneys filed the Bill of Information in U.S. District Court, Southern District of Ohio, in Cincinnati.

On June 5, 2008, Stinson pleaded guilty to one felony count of mail fraud and one felony count of attempted tax evasion. Stinson agreed to pay the Internal Revenue Service \$92,148. He also agreed to pay BWC \$2,103,188 in restitution. Sentencing is scheduled for Sept. 18, 2008.

Case #4

Pegi Dickson

Violating court order and conditions of parole

Editor's note: Previously investigated by the BWC SID, in June 2003, Pegi Dickson pleaded guilty to one third-degree felony count of workers' compensation fraud, one third-degree felony count of aggravated theft and two fourth-degree counts of grand theft. She received a sentence of 30 days in jail and five years probation. Additionally, the court ordered her and her husband to pay jointly \$500,000 in restitution to BWC and three private insurance companies.

As a term of their probation, Pegi and her husband both agreed not to affiliate with any health-care business in any manner.

On Jan. 28, 2008, a source contacted Pegi's parole officer. The source reported Pegi was working for a provider and taught other office employees how to bill incorrectly. Another source alleged that Pegi instructed a treatment biller to submit falsified or altered documents.

The Northeast regional SIU and the Cuyahoga County Probation Department launched an investigation. Their findings proved Pegi worked as a physicians' office manager. This was in direct violation of the June 5, 2003, court order and Pegi's community control sanctions.

On April 18, 2008, Judge Richard J. McMonagle of the Cuyahoga County Court of Common Pleas ruled Pegi had violated her probation. The court sentenced her to serve three years of incarceration at the Ohio Reformatory for Women and three years of probation. Authorities immediately took her into custody.

Case #5

Gerald Von Kaenel, DBA Marion Truck Line and King Transport Inc.

Operating a business without coverage

On Aug. 25, 2004, the Northwest regional SIU received an allegation from a BWC employee. The employee claimed Gerald Von Kaenel, the owner of Marion Truck Line, operated the business without coverage.

During the investigation, Von Kaenel attempted to secure a BWC policy and certificate of coverage via a U-3 application. He claimed to have a new business; King Transport Inc. However, Kaenel submitted false information on this application for coverage. The premium enforcement team found Von Kaenel operated Marion Truck Line without coverage. It also determined employees had filed seven claims against his company while it was without coverage.

On March 16, 2006, the premium enforcement team referred the case to the Office of the Attorney General of Ohio for criminal prosecution.

On Nov. 16, 2006, a Franklin County Court of Common Pleas grand jury indicted Von Kaenel on one third-degree felony count of tampering with records. It also indicted him on one second-degree misdemeanor count of failure to pay workers' compensation premiums. On March 5, 2008, Von Kaenel pleaded guilty to one fifth-degree felony count of forgery. In addition, he pleaded guilty to a second-degree misdemeanor count of failure to pay workers' compensation premiums.

On April 15, 2008, the court sentenced Von Kaenel to serve six months of incarceration (suspended) on the forgery charge. It sentenced him to 90 days of incarceration (suspended) on the failure to comply charge and five years of community control with basic supervision. The court also ordered him to pay BWC \$187,699 in restitution.

The court further ordered Von Kaenel:

- To meet the general requirements of the Franklin County Department of Community Control;
- Refrain from being an employer until his workers' compensation premiums are current;
- Make regular monthly restitution payments.

The court stipulated that it may transfer the supervision of Von Kaenel's probation to Marion County if he meets all of the other conditions of his probation.

Case #6
**Larry Hamblin
and DBA Family
Homestead
Restaurant**
Operating a business
without coverage

On March 13, 2007, the premium enforcement team received an allegation that The Diner, a Toledo area restaurant, was operating without coverage.

The premium enforcement team determined the restaurant's manager, Larry Hamblin, had submitted a U-3 application for coverage in the name of Family Homestead Restaurant. However, Hamblin submitted false information on this application for coverage. The investigation revealed Hamblin operated Family Homestead Restaurant without coverage.

On Oct. 2, 2007, a Lucas County Court of Common Pleas grand jury indicted Hamblin on one third-degree felony of tampering with government records. Subsequently, on Feb. 20, 2008, he pleaded guilty to one second-degree misdemeanor count of failure to comply with a BWC law.

On April 1, 2008, the court sentenced Hamblin to serve six months of incarceration (suspended) and two years of probation. It also ordered Hamblin to pay a \$500 fine, court costs and restitution to BWC. The court ordered Hamblin to comply with BWC rules and to seek and maintain gainful, verifiable employment.

Case #7
George D. James, Jr.
Working while receiving
temporary total disability
benefits

On July 7, 2005, the SID received an allegation that George D. James, Jr. worked as a subcontractor for his wife's cleaning service while receiving compensation benefits.

The Southeast regional SIU investigation revealed James had knowingly worked as a subcontractor for Lasting Impressions Cleaning Services. James' wife, Kathy L. White-James, owned and operated the business. Records showed James worked for his wife from 2003 to 2005. During this period, he collected total temporary (TT) and living maintenance (LM) benefits.

On April 4, 2006, an IC district hearing officer found James was fraudulently overpaid \$23,655.

	<p>A Franklin County Court of Common Pleas grand jury indicted James on one fourth-degree felony count of workers' compensation fraud on March 15, 2007. James failed to appear for his arraignment. Subsequently, the court issued a bench warrant on April 17, 2007. Afterward, the SID's Fugitive Task Force collaborated with the Franklin County Sheriff's Office to arrest James on June 4, 2007.</p> <p>On Jan. 8, 2008, in the Franklin County Court of Common Pleas, James pleaded guilty to one fifth-degree felony count of workers' compensation fraud. The court sentenced him to serve 11 months of incarceration (suspended). It also sentenced James to five years of community control and ordered him to pay BWC \$17,788 in restitution in addition to court costs.</p>
<p>Case #8 Clyde D. and Yolanda Adkins Altering documents and working while receiving TT disability benefits</p>	<p>On Feb. 21, 2006, the SID received an allegation that Clyde Adkins was driving a truck while receiving TT benefits. The allegation also reported Adkins made his paychecks payable to his wife, Yolanda Adkins.</p> <p>During its investigation, the Southwest regional SIU found bank records that indicated Settlemyre Industries Inc. had issued checks payable to Yolanda. During an interview, Yolanda advised agents she did office cleaning for Settlemyre Industries. She stated the checks from Settlemyre Industries were payment for her work. She denied her husband worked for Settlemyre Industries.</p> <p>However, after interviewing the owners of Settlemyre Industries, agents determined Clyde, rather than Yolanda, worked for the company as a truck driver. Settlemyre Industries provided Clyde's employment records. These included physicals, commercial driver license copies, signatures and U.S. Department of Transportation truck logs. The logs proved that Clyde completed approximately 65 cross-county trips.</p> <p>On May 17, 2007, a Franklin County Court of Common Pleas grand jury indicted Clyde and Yolanda each on one fourth-degree felony count of workers' compensation fraud. In addition, the court indicted both of them on one fourth-degree felony count of complicity.</p> <p>On Oct. 3, 2007, in the Franklin County Court of Common Pleas, Clyde pleaded guilty to one fifth-degree felony count of workers' compensation fraud. Yolanda pleaded guilty to one first-degree misdemeanor count of complicity to commit workers' compensation fraud.</p> <p>On the same date, the court sentenced Clyde to serve one year of incarceration (suspended) with the Ohio Department of Rehabilitation and Correction. It sentenced Yolanda to serve six months of incarceration (suspended) at the Franklin County Correctional Center. In addition, the court sentenced both Clyde and Yolanda to serve five years of community control. It also ordered them to obtain/maintain verifiable employment, and to jointly and severally pay BWC \$27,039 in restitution.</p>

Case #9

Garry W. and John M. Howe

Altering documents to obtain working wage loss benefits and operating a business without coverage

On Feb. 14, 2006, the SID received an allegation that Garry and John Howe had submitted falsified wages for the former to qualify for and collect working wage loss benefits.

The Northwest regional SIU investigation revealed the claimant, Garry, worked for his brother. Garry's brother owned The Owlsburg Saloon in Ada, Ohio. Initially, both brothers denied to agents that they falsified Garry's wages. Subsequently, John confessed to falsifying wages for his brother by signing payroll checks from his business. Garry had submitted them to BWC to receive working wage loss benefits.

On Sept. 9, 2007, an IC staff hearing officer found Garry committed fraud against BWC. The hearing officer found BWC overpaid Garry \$52,162 from July 8, 2002, to Feb. 7, 2006.

On Sept. 20, 2007, a Franklin County Court of Common Pleas grand jury indicted Garry on one fourth-degree felony count of workers' compensation fraud and two fifth-degree felony counts of forgery.

Garry pleaded guilty to one fifth-degree felony count of workers' compensation fraud on Nov. 7, 2007. The court sentenced him to serve five years of community control and ordered him to pay BWC \$16,041 in restitution.

On Oct. 18, 2007, a Franklin County Court of Common Pleas grand jury indicted John on one fourth-degree felony count of workers' compensation fraud. The indictment stated John assisted his brother, Garry, to commit workers' compensation fraud. John pleaded guilty to one first-degree misdemeanor count of workers' compensation fraud on Jan. 15, 2008. The court ordered him to pay BWC \$500 in investigative costs, a \$100 fine and court costs.

During its investigation, the SIU discovered John did not have workers' compensation coverage for The Owlsburg Saloon. As a result, BWC compelled him to become compliant by securing workers' compensation coverage for the business.

Case #10

Michael J. Wainscott

Filing false claims

On March 26, 2007, the SID received an allegation that Michael Wainscott filed a false claim against a previous employer.

The Southwest regional SIU's investigation revealed Wainscott had sought medical treatment for a work-related injury. Agents determined the injury employer Wainscott had specified on the FROI was a previous employer. The date of the reported injury was after Wainscott's last day of work with the employer.

During the course of the investigation, Wainscott continued to file claims against previous employers. Ultimately, Wainscott filed seven claims with three employers. By the close of the investigation, BWC had denied each claim.

On Jan. 2, 2008, the SIU referred the case to the Hamilton County prosecutor for criminal prosecution.

On Feb. 13, 2008, a Hamilton County Court of Common Pleas grand jury indicted Wainscott on:

- Six third-degree felony counts of tampering with records;
- Four fifth-degree felony counts of workers' compensation fraud;
- Four first-degree misdemeanor counts of workers' compensation fraud.

The court issued a bench warrant for Wainscott's arrest. Deputies with the Hamilton County Sheriff's Office Fugitive Warrant Section apprehended Wainscott on Feb. 21, 2008. BWC agents provided information that helped the deputies locate Wainscott.

On April 25, 2008, he pleaded guilty to four fifth-degree felony counts of workers' compensation fraud and two first-degree misdemeanor counts of workers' compensation fraud.

On the same date, the court sentenced Wainscott to serve 12 months of incarceration with the Ohio Department of Rehabilitation and Corrections (suspended) and subsequently 180 days of incarceration at the Hamilton County Justice Center (suspended). The court also sentenced Wainscott to enter and successfully complete the River City program and aftercare for drug rehabilitation. It also ordered him to pay a \$250 fine, court costs and restitution. In addition, the court ordered Wainscott to pay the following restitution: \$205 to Kingsgate Urgent Care; \$419 to Colerain Urgent Care; \$5,355 to Mercy Hospital; and \$3,036 to BWC for investigative costs.

