

One Chiropractor's Nightmare

Fraud seems to be everywhere these days. We see undercover reports on TV and read about it in the newspapers. Fortunately, most doctors will never experience fraud first-hand, or will they?

This is a story about fraud. The fraud was not perpetrated by a big corporation or what might be considered the "typical" criminal element. No, this is a story of fraud committed by a fellow chiropractor on his fellow chiropractors. I believe my story is instructive and is a warning to other chiropractors.

After graduating from Logan College of Chiropractic in 1983, I opened a practice (from scratch) in Cheyenne, Wyoming in 1984. The practice was a success, but after six years, I desired a change of scenery and climate. I purchased a practice in southern California in the summer of 1990, though I continued to own the practice in Wyoming. I hired an associate doctor to run the Cheyenne practice, while I practiced full-time in California.

Operating two practices 1,500 miles apart can be trying at times, so in 1991, I asked a good friend of mine, Bill Utnage, to join me in my practice. I felt that his business background and many years of experience as a chiropractic patient would help me in the management of the clinics.

In 1992, the associate doctor that was running my Wyoming practice decided to relocate out of state. Unable to find a reliable associate that was licensed in Wyoming, I sold my practice in California and returned to Wyoming to practice.

After a couple of years back in Wyoming, we were fortunate to build the practice to a greater level than ever before. It may sound strange, but we felt we needed a new challenge. We sold the practice in Wyoming and purchased a practice in Austin, Texas.

After a year of practice in Austin, we heard from a prominent chiropractic consultant that an elderly chiropractor in northern California had his practice for sell. The consultant said the practice had been established for over 25 years and was very successful. The consultant felt that time was passing the doctor by; that with our experience in running a large practice, we would be able to handle and expand his practice. This was appealing to us, as we enjoyed living and practicing in California.

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In March 1996, we meet with the doctor at his northern California office. He was a "grandfather type" who portrayed himself as an honest and ethical practitioner. After reviewing his statistics, books and observing the practice, it appeared that it was a legitimate and prosperous practice (\$700,000 a year). The doctor owned the practice and the facility, a freestanding 4,000 square foot building. The terms of the sale included a substantial down payment, payments over time, and a long-term lease on the building.

In August 1996, we purchased the practice and began the transition with the doctor. In mid-August, things started to unravel. We soon began to discover that what seemed on the surface to be a good, ethical practice was not as it appeared. In the first week of the transition, we discovered

that the doctor was billing for a service that required special equipment that he did not possess.

About the same time, the doctor introduced us to a gentleman who referred patients to the practice. The gentleman presented himself and two patients that supposedly had been involved in an auto accident. Shortly after meeting the gentleman, he requested payment for the referral. We informed him that such a practice was illegal and that we would not be party to that. We escorted the gentleman and the "patients" from the office and told him not to return.

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Immediately after the gentleman left, we confronted the doctor and expressed our concerns about this type of activity to generate patients. The doctor made it clear to us that the practice transaction was finalized, and he expected us to live up the terms of the contract in spite of our concerns. From this point forward, our relationship with the doctor was purely adversarial.

Little did we know that our nightmare was about to begin. Prompted by the referral scheme, we initiated an in-depth investigation of all patient files and office procedures. In the following six months, we spent hundreds of hours reviewing patient files and billings, all the while still practicing full-time. We uncovered overwhelming evidence of criminal and board violating activity. Besides paying for the referral of patients, there was also insurance fraud. The total dollar amounts from fraud were astonishing.

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Because we were paying a large amount of money for a practice that in reality had no value to us, we could not in good faith continue to pay the doctor for a practice that was built on fraudulent activity. We stopped making payments on the practice and the lease of the building and contacted an attorney. We attempted on several occasions to renegotiate the price of the practice. The doctor was unwilling to negotiate despite the significant amount of illegal activity we had uncovered.

In March 1997, left with no other option, I filed a civil lawsuit against the doctor. The doctor filed a countersuit for breach of contract. The battle had begun.

The civil case was in full swing, and our legal costs were enormous. It soon became apparent that without a location to practice, we had few options: start from scratch, which would make it difficult (if not impossible) to fund the civil case, or give up. Fortunately, we were offered a third choice. The doctor we sold the Wyoming practice to asked if we would be interested in buying it back. The Wyoming practice had been successful for him as well. We knew we could walk into an income that would support us and the civil case. In August 1997, we returned to Cheyenne, Wyoming.

The civil case was now in the discovery phase. The northern California doctor pled the fifth during his initial deposition, which led to significant delays. Ultimately, he was compelled to testify. His testimony and the testimony of others confirmed the evidence we had uncovered. With this information, we felt obligated to turn the evidence over to the proper authorities: the district attorney's office; the National Insurance Crime Bureau; and the California State Board of Chiropractic Examiners.

After an in-depth investigation by these agencies, the DA's office on August 26, 1998 arrested and charged the doctor with 16 felony counts. The counts included billing for treatments not provided and paying for the referral of patients. Additionally, arrest warrants were issued for three people the doctor had allegedly paid for referrals. Due to the criminal proceedings, the civil case was stayed.

On October 7, 1999, after reaching an agreement with the district attorney, the doctor plead no contest to one count of felony insurance fraud and guilty to a misdemeanor charge of paying for referrals. He was fined \$2,500 and ordered to pay \$1,650 in restitution. He was given three years' probation and ordered to relinquish his California chiropractic license.

After three and half years and over \$300,000 in legal fees, on February 1, 2000 the civil case ended with an out of court settlement. The nightmare was finally over.

The purpose of this story is not to frighten you into never purchasing an existing practice, but to inform you of what could happen. We believe this was an isolated incident and by no means represents the chiropractic profession as a whole. We strongly believe in the benefits of chiropractic and in the legions of honest, ethical practitioners across the country.

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