



PERSONAL INJURY / LEGAL

Spine Surgery: A Tale of Greed and Corruption

ILLEGAL KICKBACKS, NEARLY \$600 MILLION IN FRAUDULENT BILLING, ALLEGES DOJ.

Editorial Staff

All too often, where there's substantial money to be made, greed and corruption inevitably follow. Such appears to be the case in the world of spine surgery, with the Department of Justice recently releasing the latest details regarding "Operation Spinal Cap," an ongoing [federal investigation](#) into an alleged series of kickback schemes that generated an estimated \$580 million in fraudulent billings for spine surgery.¹

The California worker's compensation system footed most of the bill,² with hospital administrators, doctors, a health care marketer and even a state senator complicit in the schemes, according to the DOJ.

Details regarding the latest cases, unsealed in late 2015, spotlight the former CFO of Pacific Hospital in Long Beach, Calif.; a health care marketer affiliated with Pacific Hospital and Tri-City Regional Medical Center in Hawaiian Gardens, Calif., during that time period; and two orthopedic surgeons and a doctor of chiropractic, all three of whom allegedly received kickbacks for referring patients to Pacific Hospital for spine surgeries.

The five join the former owner of now-defunct Pacific Hospital, Michael Drobot, who pleaded guilty in 2014 to [his role](#) in "orchestrating a wide-ranging conspiracy and with paying illegal kickbacks, which included 'bribing California state Sen. Ron Calderon to preserve a loophole in state law that enabled him to charge insurers sky-high prices for spinal hardware - up to \$160,000 for the screws, rods and cages implanted in one person's back'."³

Drobot "was also the subject of a *qui tam* suit and a suit by the County of Los Angeles on state false-

claims grounds. According to [those cases](#), the CEO used a network of shell corporations, physician-owned distributorships, and sham contracts to facilitate the referral and billing schemes."⁴



As of late 2015, Drobot was scheduled [to be sentenced](#) for his role in the conspiracy, while Sen. Calderon, "indicted last year on charges that he accepted \$100,000 in bribes from Drobot" to preserve the legal loophole "that allowed companies he controlled to charge more for hardware used in spinal surgeries," has pleaded innocent and will go to trial later this year.⁵ Calderon took a leave of absence in February 2014 after surrendering to authorities and was term limited out of office in November 2014.

Shockingly - although perhaps not surprisingly - all that may be the [tip of the iceberg](#): According to the Office of the United States Attorneys, the corruption scandal involved illegal kickbacks "to dozens of doctors, chiropractors and other medical professionals."⁶

The DOJ has already acknowledged a related scheme under investigation in which doctors received illegal kickbacks for referrals to Tri-City Regional Medical Center in Hawaiian Gardens.

The FBI, the Internal Revenue Service, the California Department of Insurance and the U.S. Postal Service are all participating in the investigation, the scope of which appears destined to grow wider in the coming months. Here's what we know, courtesy of a Department of Justice press release,¹ about the five defendants whose cases were unsealed in November 2015:

- James Canedo, former CFO of Pacific Hospital, pleaded guilty on Sept. 4, 2015 to "a criminal information charging him with participating in a conspiracy that engaged in mail fraud, honest

services fraud, money laundering, paying or receiving kickbacks in connection with a federal health care program and violating the Travel Act, specifically, interstate travel in aid of a racketeering enterprise." Canedo is scheduled to be sentenced in June 2016.

- Dr. Philip Sodol, an orthopedic surgeon from Studio City, Calif., has agreed to plead guilty "to conspiracy to commit mail fraud, honest services fraud and violations of the Travel Act; as well as a separate, substantive Travel Act violation."
- Dr. Mitchell Cohen, an Irvine, Calif., orthopedic surgeon, is charged with filing a false tax return. In a Nov. 16, 2015 plea agreement, he "admits that he failed to report income received from kickback payments."
- Paul Richard Randall, a health care marketer previously affiliated with both Pacific Hospital and Tri-City Regional Medical Center, pleaded guilty in April 2012 to conspiracy to commit mail fraud. "Randall, who admitted recruiting chiropractors and doctors to refer patients to Tri-City in exchange for kickbacks, is scheduled to be sentenced on April 8, 2016."
- And let's not forget about Dr. Alan Ivar - a chiropractor, no less - charged on Nov. 24, 2015 "in a criminal information that alleges one count of conspiracy to commit mail fraud, honest services fraud, money laundering and violations of the Travel Act. In a plea agreement filed that same day, Dr. Ivar "admitted that for well over a decade, he had an agreement with the owner of Pacific Hospital to refer patients in exchange for a monthly retainer."

References

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