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Department of Justice

U.S. Attorney's Office

Southern District of Florida

FOR IMMEDIATE RELEASE

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Two Individuals and a Corporation Sentenced for Their Roles in Multi-Million Health Care Fraud and Money Laundering Scheme Involving Alcohol and Drug Addiction Treatment Centers and Clinical Laboratories

Smart Lab LLC, and the corporation's Chief Executive and Chief Operating Officers were sentenced for their participation in a multi-million health care fraud scheme that involved the filing of fraudulent insurance claim forms and defrauding health care benefit programs.

Ariana Fajardo Orshan, U.S. Attorney for the Southern District of Florida; Robert Lasky, Special Agent in Charge, Federal Bureau of Investigation (FBI), Miami Field Office; Michael J. De Palma, Special Agent in Charge, Internal Revenue Service, Criminal Investigation (IRS-CI); Jimmy Patronis, Florida Chief Financial Officer; Michael J. Waters, Special Agent in Charge, Amtrak Office of Inspector General (Amtrak OIG); Isabel Colon, Regional Director, U.S. Department of Labor, Employee Benefits Security Administration (DOL-EBSA); Dennis Russo, Director of Operations, National Insurance Crime Bureau (NICB); and John F. Khin, Special Agent in Charge, Defense Criminal Investigative Service (DCIS) made the announcement.

H. Hamilton Wayne, a/k/a "Hawkeye," 40, of Palm Beach Gardens, **Justin Morgan Wayne,** 39, of Boca Raton, and **Smart Lab LLC,** of Palm Beach Gardens, previously pled guilty to one count of conspiracy to commit health care fraud. Today, U.S. District Judge Donald M. Middlebrooks sentenced Smart Lab Chief Executive Officer (CEO) H. Wayne to 63 months in prison, to be followed by 3 years of supervised release; Smart Lab Chief Operating Officer (COO) J. Wayne to 46 months in prison, to be followed by 3 years of supervised release; and the corporation to 3 years of probation. The three defendants were jointly and severally ordered to pay \$2,897,389.50 in restitution to the victims of their offenses. H. Wayne was separately ordered to pay \$954,344 to the TRICARE program for his involvement in fraud at RX to You, along with a \$50,000 fine. J. Wayne was separately ordered to pay a \$20,000 fine.

According to court documents, Smart Lab LLC was established by CEO H. Wayne, and COO J. Wayne, to perform confirmatory urinalysis testing. Smart Lab, H. Wayne and J. Wayne established bank accounts to receive proceeds of insurance claims for medically unnecessary urinalysis testing and to pay kickbacks and bribes to individuals and entities that referred urine samples to Smart Lab for testing.

H. Wayne and J. Wayne established employment agreements wherein H. Wayne and co-conspirators would solicit bodily fluid samples from substance abuse treatment centers that would be submitted to Smart Lab for expensive confirmatory drug testing. In exchange, Smart Lab would kick back a portion of the insurance reimbursements, disguised as payments for sales commissions, to co-conspirators, understanding that a portion of these payments would then be paid, directly or indirectly, to owners, operators, or clinicians at the substance abuse treatment centers that referred the testing of urine samples from insured patients.

To achieve the goal, Smart Lab, H. Wayne, J. Wayne, and co-conspirators developed form standing orders and drug testing protocols that provided for duplicative, medically unnecessary, and expensive confirmatory testing regardless of the individual needs of any patients. To further the scheme, co-conspirator treatment center owners required the insured substance abuse treatment center patients to submit to confirmatory drug testing approximately three times per week, which Smart Lab, H. Wayne, J. Wayne, and others could bill to the insurance plans. Smart Lab, H. Wayne and J. Wayne elected not to collect mandatory co-payments, deductibles, and other co-insurance from patients that could cause patients to be unable or unwilling to submit to testing. The defendants did not inform the insurance plans that they were not collecting the required co-insurance payments.

In addition, Lanny Fried, a top Smart Lab sales representative, had an agreement with Smart Lab to receive commissions of approximately 50% of the insurance reimbursements for the substance abuse treatment facilities he referred to Smart Lab. These payments were classified as commissions when in reality they were kickbacks for the referral of excessive, medically unnecessary, fraudulent and duplicative confirmatory drug testing. Fried served as the sales representative for Smart Lab's largest account, Reflections Treatment Center in Margate, Florida. Fried used a portion of these commissions to pay Reflections' owner, Kenneth Chatman, illegal cash kickbacks to induce him to continue referring urine samples to Smart Lab. Using Fried as a "middleman" for the payments to Chatman disguised the true ownership and purpose of the funds. From 2005 through 2017, Smart Lab paid Fried over \$600,000. These payments came from proceeds of health care fraud.

Fried also recruited friends and business associates to engage in similar activity. These individuals signed employment agreements with Smart Lab that purported to make them "sales representatives". These agreements were used to make it appear that monies paid to Fried and others were for services rendered. The employment contracts were created to hide the true purpose and recipient of the payments. Fried and the others involved did not perform any actual services for Smart Lab and they were paid "commissions" from the proceeds of health care fraud. These funds were then disbursed to others, per Fried's instructions.

Fried previously pled guilty to one count of conspiracy to commit money laundering and is scheduled to be sentenced by U.S. District Judge Robin I. Rosenberg on November 29, 2018.

U.S. Attorney Fajardo Orshan commended the investigative efforts of the Greater Palm Beach Health Care Fraud Task Force. Agencies of the task force include the FBI, IRS-CI, Florida Division of Investigative and Forensic Services, Amtrak OIG, DOL-EBSA, NICB and DCIS. These cases are being prosecuted by Assistant U.S. Attorneys A. Marie Villafañá and Alexandra Chase.

Related court documents and information may be found on the website of the District Court for the Southern District of Florida at www.flsd.uscourts.gov or on <http://pacer.flsd.uscourts.gov> at www.usdoj.gov/usao/fls.

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