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**Department of Justice**

U.S. Attorney's Office

Southern District of Florida

FOR IMMEDIATE RELEASE

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## **Owner Sentenced to More than 27 Years in Prison for Multi-Million Dollar Health Care Fraud and Money Laundering Scheme Involving Sober Homes and Alcohol and Drug Addiction Treatment Centers**

### **Wife and Fellow Owner Sentenced to 3 Years in Prison**

Two owners of sober homes and alcohol and drug addiction treatment centers were sentenced to 27 and 3 years in prison, respectively, for their participation in a multi-million dollar health care fraud and money laundering scheme that involved the filing of fraudulent insurance claim forms and defrauded health care benefit programs.

Benjamin G. Greenberg, Acting United States Attorney for the Southern District of Florida, George L. Piro, Special Agent in Charge, Federal Bureau of Investigation (FBI), Miami Field Office, Kelly R. Jackson, Special Agent in Charge, Internal Revenue Service, Criminal Investigation (IRS-CI), Dave Aronberg, State Attorney, Palm Beach County State Attorney's Office, Jeff Atwater, Florida Chief Financial Officer, William D. Snyder, Sheriff Martin County Sheriff's Office, George L. Dorsett, Assistant Inspector General for Investigations, Amtrak Office of Inspector General, Isabel Colon, Regional Director, United States Department of Labor, Employee Benefits Security Administration (DOL-EBSA), and Dennis Russo, Director of Operations, National Insurance Crime Bureau (NICB), made the announcement.

After hearing victim impact statements from a number of parents whose children suffered fatal and non-fatal overdoses, U.S. District Judge Donald M. Middlebrooks sentenced **Kenneth Chatman**, a/k/a

“Kenny,” 46, of Boynton Beach, to 330 months in prison, to be followed by 5 years of supervised release. Chatman was also ordered to register as a sex offender. He had previously pled guilty to conspiracy to commit health care fraud in violation of Title 18, United States Code, Section 1349; conspiracy to commit money laundering in violation of Title 18, United States Code, Section 1956(h); and conspiracy to commit sex trafficking, in violation of Title 18, United States Code, Section 1594(c). His wife, **Laura Chatman**, 44, of Boynton Beach, was sentenced by Judge Middlebrooks to 36 months in prison, to be followed by 3 years of supervised release, after having pled guilty to two counts of making a false statement related to a health care matter, in violation of Title 18, United States Code, Section 1035(a)(1).

“Kenneth Chatman will spend the next 27 years in prison for orchestrating an egregious fraud scheme that denied addicts and their families the legitimate treatment and supportive services they desperately needed,” stated Acting U.S. Attorney Benjamin G. Greenberg. “Instead of helping his patients to achieve sobriety, Chatman exploited the vulnerable victims to satisfy his personal greed. He provided drugs to addicts, solicited and accepted kickbacks and bribes, and used his position of power to sexually exploit his patients. The U.S. Attorney’s Office and our law enforcement partners will continue to shut down and hold accountable the unscrupulous sober home owners, treatment facility providers and medical labs that carry out fraudulent and abusive treatment practices.”

“Kenneth Chatman took advantage of persons with serious addiction problems to satisfy his greed. He exploited people who were vulnerable and weak,” said Michael A. D’Alonzo, Assistant Special Agent in Charge, FBI Miami. “Instead of providing a safe and sober living environment, Chatman gave his patients illegal drugs, fraudulent insurance bills and demanded they engage in illegal prostitution under duress. The FBI and our partners are serving notice to sober home operators, treatment facility owners and medical professionals who choose to engage in these types of fraud schemes, you will be investigated and criminally prosecuted to the fullest extent of the law.”

Kelly R. Jackson, Special Agent in Charge, IRS Criminal Investigation (IRS-CI), stated, “This is an appalling case of pure greed where these defendants tore families apart and put patients’ health and safety at risk. As the Chatmans were living a lavish lifestyle funded by their fraud scheme, patients suffering from addiction were utilized as mere pawns in a master plan to defraud insurance companies. IRS-CI will continue to provide our expertise in conducting financial analysis in money laundering cases to combat the huge healthcare fraud compliance issue facing South Florida.”

“Sober homes are meant to be a place of refuge for those recovering from addiction, but some of these facilities are anything but a sanctuary,” said Chief Financial Officer Jeff Atwater. “Many do nothing more than siphon residents’ insurance benefits until there’s nothing left to be paid, only to return the newly-recovering back to the streets. I am proud of the collaborative state, local, and federal efforts to hold the line on this crime, and I hope this sentencing sends a shockwave to others who may be engaging in similar behavior.”

“It’s shameful and disgusting that a treatment home, which should be a place of healing and recovery, could be so badly corrupted as a vehicle for fraud.” said Regional Director for the Department of Labor’s Employee Benefits Security Administration Isabel Colon. “We are gratified to be part of the effort of so many state and federal agencies to put a stop to this sort of criminal activity.”

“Our office, in partnership with our fellow investigative agencies, will continue to uncompromisingly

investigate and bring to justice the people who perpetrate these criminal acts," said Amtrak Inspector General Tom Howard. "Their actions take advantage of a vulnerable population that is seeking treatment. Our office will remain vigilant in protecting Amtrak employees, retirees, and their dependents, and ensuring that our health care dollars are not wasted on these fraudulent providers."

According to court documents, defendant Kenneth Chatman established a series of sober homes, including Stay'n Alive, Inc., Total Recovery Sober Living LLC, and several other multi-bed residences operating as sober homes in Palm Beach and Broward Counties. These sober home facilities were purportedly in the business of providing safe and drug-free residences for individuals suffering from drug and alcohol addiction. Kenneth Chatman conspired with others to obtain patients who would receive ineffective and medically unnecessary substance abuse treatment and testing that could be billed to the patients' insurance in order to enrich Chatman and the members of the conspiracy.

To achieve this goal, defendant Kenneth Chatman paid kickbacks and bribes to other sober home owners for referring their residents to Reflections Treatment Center LLC in Margate, Florida and Journey to Recovery LLC in Lake Worth, Florida for treatment, and disguised these kickbacks and bribes as "case management fees," "consulting fees," "marketing fees," and "commissions." The co-defendants met with Kenneth Chatman on a weekly basis to collect their kickbacks and bribes, which were based on the number of insured patients that received treatment each week.

To obtain residents for the sober homes, defendant Kenneth Chatman and others involved in the conspiracy provided kickbacks and bribes, including free or reduced rent, gift cards, and controlled substances to individuals with insurance who agreed to reside at the sober homes, attend drug treatment, and submit to regular drug testing that members of the conspiracy could bill to the residents' insurance plans. Although the sober homes were purportedly drug-free residences, some of the defendants permitted the residents to continue using drugs as long as they attended treatment and submitted to drug testing, and Kenneth Chatman marketed his treatment facilities as places where patients could continue to use controlled substances while receiving "treatment."

Defendants Kenneth and Laura Chatman submitted to the Florida Department of Children and Families fraudulent applications for licensure for Journey to Recovery and Reflections Treatment Center, stating that Laura Chatman was the sole owner of those entities, thereby hiding the fact that Kenneth Chatman, a convicted felon who was prohibited from owning and operating treatment centers, managed all aspects of these facilities including the hiring and firing of personnel; admitting and discharging patients and making financial decisions.

Defendant Laura Chatman appeared at Reflections and Journey for audits and inspections by DCF and other accrediting agencies to make it seem that she was the sole owner and officer of the companies. Defendant Laura Chatman also filed corporate documents and opened bank accounts in the name of Reflections and Journey to allow co-defendant Kenneth Chatman access to deposit proceeds from the health care fraud scheme and to conduct transactions meant to promote the scheme. .

Defendant Kenneth Chatman dictated which patients were admitted and discharged and the type and frequency of different types of lab testing that would be performed based on the kickbacks and bribes that he was receiving from different clinical laboratories rather than based upon the individual patients' needs. Kenneth Chatman dictated that confirmatory urine drug testing; duplicative saliva drug testing, DNA and allergy testing occur regardless of whether patients complained of allergies. These tests were

medically unnecessary and not used to direct the treatment of patients. Many of the test results were never reviewed and new samples were submitted before older tests were received and reviewed. In some instances when a patient's insurance benefits were about to run out, Kenneth Chatman would provide controlled substances to the patient so that the patient would have a positive drug test. Kenneth Chatman would then inform the patient's insurance provider that the patient had "relapsed" so that additional treatment benefits would be approved and Chatman could continue billing services.

Defendant Kenneth Chatman also recruited and coerced female patients and residents into prostitution, telling them that they would not have to pay rent or participate in treatment or testing so long as they would allow him to continue to bill their insurance companies for substance abuse treatment and testing that the patients did not receive.

Defendants Kenneth Chatman and other co-conspirators recruited, enticed, harbored, transported, provided, obtained, and maintained some female patients into performing commercial sex acts. The defendant provided housing for the female patients, who would be made to perform sex acts in exchange for money that would then have to be paid to defendant Kenneth Chatman as "rent." The commercial sex activity occurred at some of the sober homes controlled by the defendant or at hotels and motels. Kenneth Chatman provided condoms and advertised and caused the advertisement of the commercial sexual activity. Kenneth Chatman and other co-conspirators provided controlled substances to these addicted patients to induce them to perform sexual acts.

Kenneth Chatman also used intimidation tactics and threats of legal process, including evicting the patients from his sober homes to maintain their compliance. These patients were not required to attend treatment at Reflections or provide bodily fluid samples for testing but he submitted and caused the submission of claims to the patients' Insurance Plans for substance abuse treatment and testing that they did not receive.

Kenneth Chatman further maintained control over patients who attended Reflections and Journey by threats and confiscating their belongings, car keys, telephones, medications, and food stamps, in order to maintain the ability to continue billing their Insurance Plans.

The proceeds of the health care fraud scheme were deposited into bank accounts that Kenneth Chatman and co-defendant Laura Chatman opened at Wells Fargo Bank in the name of Reflections and Journey. Kenneth Chatman and the co-conspirators agreed to use the proceeds to promote the ongoing fraud scheme including the making of kickback and bribe payments in the form of checks to sober home owners. These checks were for the referral of insured clients to Reflections for treatment and often noted that they were for "case management." Kenneth Chatman, Laura Chatman and their co-conspirators also made payments to the medical directors, clinical directors, employees and others to continue their involvement with the fraud. Monies from these accounts were also used to pay kickbacks and bribes to patients, including providing prescription and illicit drugs to patients and potential patients.

Mr. Greenberg commended the investigative efforts of the Greater Palm Beach Health Care Fraud Task Force. Agencies of the task force include the FBI, IRS-CI, the Palm Beach County State Attorney's Office Sober Homes Task Force, Florida Division of Investigative and Forensic Services, Martin County Sheriff's Office, Amtrak OIG, DOL-Office of Inspector General, DOL-EBSA, NICB, Palm Beach County Sheriff's Office, West Palm Beach Police Department, Delray Beach Police Department, Florida Attorney General

Office of Statewide Prosecution, and Office of Personnel Management, Office of Inspector General. This case was prosecuted by Assistant United States Attorney A. Marie Villafaña.

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

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**Topic(s):**

Healthcare Fraud

**Component(s):**

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