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Department of Justice

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Southern District of Texas

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CEO Gets More Than 19 Years for \$18 Million Health Care Fraud Scheme

HOUSTON – The CEO of Team Work Ready (TWR) has received a significant federal sentence for conspiracy, health care fraud, wire fraud and money laundering, announced U.S. Attorney Ryan K. Patrick along with Special Agent in Charge Christopher Cave of the U.S. Postal Service - Office of Inspector General (USPS-OIG), Special Agent in Charge Steven Grell of the U.S. Department of Labor (DOL) – OIG, Assistant Special Agent in Charge Ramsey Covington of IRS-Criminal Investigation (CI), Special Agent in Charge James Werner of the Department of Veterans Affairs (VA) – OIG and Special Agent in Charge David J. Green of the Department of Homeland Security (DHS) – OIG.

A federal jury convicted Jeffrey Eugene Rose Sr., 56, along with his wife - chief financial officer (CFO) Pamela Annette Rose, 56 - and the clinic's vice president of operations Frankie Lee Sanders, 56, following 14 hours of deliberation on Oct. 17, 2016.

Today, U.S. District Judge Ewing Werlein Jr., who presided over the trial, sentenced Rose to 233 months in federal prison and ordered him to pay \$14,537,548.54 in restitution to the DOL, Office of Worker's Compensation Program (OWCP) which administered the Federal Employees Compensation Act health care benefit program known as FECA. In arriving at the sentence, Judge Werlein considered the seriousness of the offense and the \$18,354,971 in fraudulent claims submitted from Rose's 10 TWR clinics located in Texas, Louisiana, Georgia, Memphis and Alabama, including clinics in Houston, San Antonio, and McAllen. Rose will also be required to serve three years supervised release upon completion of the prison term.

"The sentence imposed today serves as a clear deterrent to those engaging in fraud against federal benefit programs," said Cave. "USPS-OIG, along with our law enforcement partners, will continue to aggressively pursue these investigations and exhaust all efforts in uncovering these fraud schemes."

Pamela Rose and Sanders were previously sentenced July 21, 2017, to 120 and 300 months, respectively.

During the trial, the jury heard testimony from 38 witnesses including former patients of TWR clinics, former employees of TWR clinics, various experts and special agents from USPS-OIG and IRS-CI. According to testimony, TWR submitted millions in false and fraudulent claims for physical therapy services.

“Jeffrey Rose orchestrated a fraudulent scheme to submit more than \$18 million in claims for services never provided to injured federal workers to DOL-OWCP using the health care clinics he owned in multiple states,” said Grell. “We will continue to work with our law enforcement partners to protect the integrity of department programs and safeguard taxpayer money.”

“Our system of health care is founded on the trust of the public in its health care professionals and the outstanding services they provide. The health care fraud and money laundering activities committed by Jeffrey Rose and his co-conspirators harms all Americans, as we all have to pay our fair share for government services and protections that we enjoy,” said Covington. “IRS-CI agents along with our law enforcement partners remain committed to ending healthcare fraud conspiracies and seeking justice for those involved in these crimes.”

Patients testified at trial that they did not receive the one-on-one physical therapy services for which DOL-OWCP paid under FECA. Rather, they stated they exercised independently on treadmills, bicycles, elliptical machines and with the Nintendo Wii game as well as other pieces of exercise equipment. One patient described an electronic massage chair in the San Antonio clinic, while another patient testified that unlicensed staff told him to do exercises on both of his arms, although he only injured his left elbow and to use the electronic massage chair and the treadmill for his injury. Similarly, a patient from Houston testified that she was asked to do some exercises that had nothing to do with her carpal tunnel wrist injury, specifically walking on a treadmill.

Testimony from former TWR employees revealed that the Houston clinic had as many as 30 – 60 patients a day and that employees did not know what the patients were doing in the main treatment area because they were busy in the back doing massages, electrical stimulation treatments and ultrasound treatments. Patients at the New Orleans clinic were instructed to go back to the therapy room to begin doing exercises by themselves. Employees testified that they did not perform all the one-on-one services documented on patient treatment notes and admitted they frequently completed the patient treatment notes at the end of the day by following a “cheat sheet” and asking each other and the patients what activities had been done. Various individuals described the treatment as “like a gym.”

Undercover federal agents posed as patients at two of the TWR clinics. The jury watched portions of covertly made recordings that supported the employee and patient testimony about clinic activities. The jury also heard several recordings a TWR employee made demonstrating how the defendants tried to coerce her into ordering medically unnecessary treatment so the clinics could profit.

As explained during the trial by DOL-OWCP’s chief fiscal officer, FECA does not pay for professional services performed by unlicensed aides. Under FECA rules, a chiropractor can only be paid when they treat spinal subluxation or when they personally perform physical therapy

under the direction of, and as prescribed by, a medical doctor. They also cannot direct unlicensed individuals to perform skilled physical therapy services. Specifically, in relation to this case, TWR falsely and fraudulently submitted claims for skilled one-on-one physical therapy services provided by a licensed chiropractor when, in reality, the services were not provided as described.

Rose and his wife were also convicted of money laundering after another TWR employee testified about the pair moving \$700,000 out of TWR accounts to hide it from the federal government in July 2013, while federal agents executed search warrants at multiple TWR locations.

Rose has been and will remain in custody pending transfer to a U.S. Bureau of Prisons facility to be determined in the near future.

USPS - OIG, DOL - OIG, IRS - CI, Department of Veterans Affairs - OIG, and Department of Homeland Security – OIG conducted the investigation. Assistant U.S. Attorneys (AUSA) Julie Redlinger and Daniel Rodriguez prosecuted the case. AUSA Kristine Rollinson handled the forfeiture matters.

Topic(s):

Health Care Fraud

Component(s):

USAO - Texas, Southern

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