



Department of Justice

FOR IMMEDIATE RELEASE
WEDNESDAY, JUNE 19, 2019
WWW.JUSTICE.GOV

CRM
(202) 514-2007
TTY (866) 544-5309

LOUISIANA COUPLE AND THEIR BUSINESS PLEAD GUILTY TO OPERATING SHAM MEDICAL REIMBURSEMENT ACCOUNT PROGRAM THAT DEFRAUDED THE IRS AND PROGRAM PARTICIPANTS OUT OF OVER \$48 MILLION

WASHINGTON – A Covington, Louisiana, couple and their company pleaded guilty for their roles in a scheme to create, market and operate a fraudulent medical reimbursement program that defrauded the IRS and program participants out of over \$48 million.

Assistant Attorney General Brian A. Benczkowski of the Justice Department’s Criminal Division, U.S. Attorney Peter G. Strasser of the Eastern District of Louisiana, Special Agent in Charge Thomas J. Holloman of the Internal Revenue Service Criminal Investigation’s (IRS-CI) Atlanta Field Office, Special Agent in Charge Eric J. Rommal of the FBI’s New Orleans Field Office, Special Agent in Charge Steve Grell of the U.S. Department of Labor, Office of Inspector General’s (DOL-OIG) Dallas Regional Office and Regional Director James Purcell of the U.S. Department of Labor, Employee Benefits Security Administration’s Kansas City Regional Office made the announcement.

Denis Joachim, 53, pleaded guilty to one count of conspiracy to commit money laundering; Donna Joachim, 52, pleaded guilty to one count of conspiracy to defraud the United States; and The Total Financial Group, Inc. (TTFG) pleaded guilty to one count of conspiracy to make false statements and representations in connection with a multiple employer welfare arrangement and five counts of making false statements and representations in connection with a multiple employer welfare arrangement. All the pleas took place before U.S. District Judge Carl J. Barbier of the Eastern District of Louisiana on May 30, 2019, and were unsealed yesterday. Sentencings have been scheduled for Sept. 5, 2019, before Judge Barbier. As part of their guilty pleas, the defendants have agreed to forfeit assets previously seized with a collective value of approximately \$6.3 million. Additionally, the defendants acknowledged a potential loss to the victims totaling more than \$48 million and agreed to repay restitution for the amount of loss.

According to admissions made as part of the guilty pleas, TTFG was a Louisiana business incorporated by Denis Joachim and Donna Joachim with the Louisiana Secretary of State that was most recently located at 406 N. Florida Street in Covington. TTFG and its owners created and marketed a medical reimbursement account program called “Classic 105,” which operated from about 2012 until January 2017. Classic 105 claimed to be a multiple employer welfare arrangement that was marketed to employers as a supplemental benefits plan for their employees to reimburse for medical expenses such as co-pays and deductibles; participants in Classic 105 were required to have a primary health insurance plan unrelated to and in addition to Classic 105.

According to the defendants' admissions, Classic 105 claimed to be comprised of several components: a tax-exempt contribution of between \$1,000 and \$1,600 per month made by an employee (which reduced the employee's taxable income), a loan from a financial institution back to the employee to make up for the contribution, an insurance policy payable to the lender at the employee's death to repay the loan and fees paid by the employee and the employer directly to TTFG. TTFG told prospective employer-clients that participants would never have to make out-of-pocket payments to repay the loan and that as a result of the tax savings, most participants would receive an increase in their net take home pay. TTFG also told prospective employer-clients that the contributions would be stored in a unique account for each employee-participant and that any money not used by the end of each calendar year would revert to TTFG. TTFG also charged employee-participants a fee of between \$150 and \$250 per month and the employer a fee of five percent of each employee's contribution amount. At its peak, over 350 employer-clients and 4,400 employee-participants nationwide were enrolled in TTFG's Classic 105 program. In total, TTFG took in not less than at least \$25,543,340.70 in fees from the employer-clients and employee-participants, the defendants admitted.

According to the defendants' admissions, TTFG never obtained a single loan or insurance policy for the Classic 105 program, and participants never made any actual contributions. Rather, TTFG arranged for the contribution, loan and insurance policy to appear as a series of "paper transactions" that, in effect, did nothing more than reduce participants' taxable wages and employers' FICA payments improperly, without their knowledge of the impropriety. Consequently, TTFG and the Joachims admittedly caused the underpayment of at least \$23,343,442.70 in federal FICA taxes, as well as the underreporting and underpayment of personal federal income taxes, federal unemployment taxes and state unemployment taxes—amounts for which the employer-clients and employee-participants may be individually responsible. It also exposed participants to other adverse financial consequences, including fees and penalties on the unpaid tax and ineligibility from certain government programs, including unemployment payments and reduced Social Security payments, the defendants admitted.

In truth, the only money actually paid to TTFG were the fees, which the Joachims used to make numerous personal expenses, including the purchase of a 26-foot boat, a 2016 Grand Design Solitude recreational trailer, a Chevrolet Corvette, a Jeep Wrangler, a Dodge Ram truck, a Mercedes-Benz CL 550 automobile, a GMC Yukon XL Denali, multiple CAN-AM Maverick 1000R off-road vehicles, jet skis, their 13,000 square foot Covington residence, real property located adjacent to their Covington residence, two residences located in Madisonville, Louisiana, 40 acres of property in Bush, Louisiana, and 125 acres of property in Spring City, Tennessee, the defendants admitted.

This case was investigated by the IRS-CI, the FBI, the DOL-OIG and the Employee Benefits Security Administration. Assistant U.S. Attorneys Jordan Ginsberg and Maria Carboni of the Eastern District of Louisiana and Trial Attorney Jared Hasten of the Criminal Division's Fraud Section are prosecuting the case. Senior Trial Attorney Rebecca Pyne of the Criminal Division's Organized Crime and Gang Section, Labor-Management Racketeering Unit also provided assistance with the prosecution.

The Medicare Fraud Strike Force is part of a joint initiative between the Department of Justice and U.S. Health and Human Services (HHS) to focus their efforts to prevent and deter fraud and enforce current anti-fraud laws around the country. Since its inception in March 2007, the Medicare Fraud Strike Force, which maintains 14 strike forces operating in 23 districts, has charged nearly 4,000 defendants who have collectively billed the Medicare program for more than \$14 billion. In addition, the HHS Centers for Medicare & Medicaid Services, working in conjunction with HHS-OIG, are taking steps to increase accountability and decrease the presence of fraudulent providers.

To learn more about the Health Care Fraud Prevention and Enforcement Action Team (HEAT), go to www.stopmedicarefraud.gov.

###

19-683