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Southern District of Texas

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CFO and VP Sentenced in Nationwide Worker's Compensation Fraud Scheme

HOUSTON – Two officials with Team Work Ready (TWR) have been ordered to federal prison for conspiracy, health care fraud, wire fraud and money laundering, announced Acting U.S. Attorney Abe Martinez along with Special Agent in Charge Maximo Eamiguel 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, Special Agent in Charge Rick Goss 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 deliberated for 14 hours following a 16-day trial before convicting one of the TWR founders and chief financial officer (CFO) Pamela Annette Rose, 55, and the clinic's vice president of operations Frankie Lee Sanders, 55, along with CEO Jeffrey Eugene Rose Sr., 54, on Oct. 17, 2016.

Today, U.S. District Judge Ewing Werlein Jr., who presided over the trial, handed *Sanders* a 300-month sentence, while Pamela Rose will serve a 120-month-term. They will both also be required to serve a term of three years of supervised release following completion of the prison terms. The evidence presented at the hearing included reference to various audio recordings obtained during the investigation and large volumes of documents obtained during the investigation. Pamela Rose was ordered to pay a \$14,537,548.54 in restitution, while Sanders is to pay \$13,365,525.38. In handing down the sentence, Judge Werlein noted the seriousness of health care fraud and the need to deter those involved in this crime. Jeffrey Rose will be sentenced at a later date.

“The sentence issued today should be an explicit deterrent to those healthcare providers engaging in illegal activity in order to receive undeserved monetary payments. Fraud committed against federal benefit programs is a serious offense that will not be tolerated,” said Eamiguel. “The USPS-OIG, along with our law enforcement partners, will continue to vigorously investigate these types of cases in order to protect the Office of Workers’ Compensation Programs and United States Postal Service from further fraud and abuse.”

“Team Work Ready’s CFO, vice president of operations and others participated in a fraudulent scheme to submit approximately \$9 million in false claims to the DOL - Office of Workers’ Compensation Programs (OWCP) for healthcare services not provided to federal workers,” said Grell. “Rose, Sanders and their co-conspirators stole money intended to pay for legitimate patient care for federal workers suffering from work related injuries. We will continue to work with our law enforcement partners to protect all Department of Labor programs.”

“Sanders and Ms. Rose will now lose their freedom for defrauding U.S. Taxpayers for personal monetary gain,” said Goss. “These types of schemes not only undermine federal programs but also take money and benefits from those patients who need it the most.”

“This case underscores VA-OIG’s commitment to protecting the taxpayer dollars intended for the medical treatment of injured VA employees by legitimate healthcare providers,” said Werner.

“Today’s sentencing is a testament that the U.S. government will not tolerate those who defraud its healthcare system, said Green. “The federal employee compensation program was designed to help those government employees rehabilitate and return to duty after suffering an injury. The fact that these two individuals exploited the system, designed to help those with medical needs, to line their own pockets is deplorable. Special Agents from many agencies worked together with prosecutors to ensure a successful outcome and should be commended for their efforts.”

TWR had clinics in five states including Federal Work Ready in Houston, Alamo Work Ready in San Antonio and Bayou Work Ready in New Orleans, Louisiana. During the criminal 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 the USPS-OIG and IRS-CI. According to testimony, TWR submitted approximately \$9.6 million in false and fraudulent claims from four of its clinics for physical therapy services that were not provided. The claims were submitted under the Federal Employees Compensation Act (FECA) health care benefit program which is administered by the DOL - OWCP.

DOL-OWCP's chief fiscal officer explained to the jury at the start of the trial that FECA does not pay for professional services performed by unlicensed aides which is why DOL-OWCP requires the enrollment of all licensed professionals providing services to injured federal employees, including copies of professional licenses. He testified that the FECA program only considers chiropractors as physicians when they treat spinal subluxation. Otherwise, chiropractors are considered equivalent to physical therapists and may provide physical therapy under the direction of, and as prescribed by, a medical doctor. Specifically, in relation to this case, the DOL-OWCP would not have paid millions of dollars for the physical therapy services billed by TWR if they had known that the services were not provided as described in the claims submitted to DOL-OWCP.

The claims TWR submitted falsely and fraudulently described skilled one-on-one physical therapy services provided by a licensed chiropractor. Patients from four TWR clinics testified that they did not receive the one-on-one physical therapy services paid for by DOL-OWCP under FECA. Rather, they stated that they exercised independently on treadmills, bicycles and elliptical machines with the Nintendo Wii game and with other pieces of exercise equipment. The San Antonio clinic also had an electronic massage chair for patients. One patient from Houston testified that she felt that some of the exercises she was asked to do had nothing to do with her carpal tunnel wrist injury, specifically the treadmill. Another patient from the San Antonio clinic 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.

The jury also heard testimony from 11 former TWR employees, including unlicensed therapy technicians from the Houston and New Orleans clinics, a case manager and two licensed chiropractors. The employees reported 30 – 60 patients a day at the Houston clinic and said there were times when they 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. The 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. Patients at the New Orleans clinic were instructed to go back to the therapy room to begin doing exercises by themselves. Various individuals described the treatment as “like a gym.”

The jury also heard from two federal agents who went undercover as “injured federal employees” at the Houston and New Orleans clinics. The jury watched portions of video recordings covertly made by the undercover agents that showed patients independently exercising and receiving care from unlicensed and obviously untrained staff.

One of the licensed chiropractors testified that she began covertly recording meetings with the defendants in December 2012. The jury heard several of the recordings, including one in which the defendants tried to coerce the chiropractor to order medically unnecessary treatment so TWR could make a profit.

TWR's former chief operating officer (COO) testified about a phone call he received from CFO Rose on July 11, 2013 - the day federal agents executed search warrants at TWR clinics in Houston and New Orleans. The COO said CFO Rose instructed him to meet her and CEO Rose at a local Chase bank where they moved money out of the TWR accounts to hide it from the federal government. An IRS-CI special agent traced the \$700,000 transferred out of TWR bank accounts, into a transportation company account owned by Mr. and Mrs. Rose and then out of that account via a cashier's check in the name of two “shell” businesses not associated with TWR but also owned by Mr. and Mrs. Rose.

Sanders and Jeffrey Rose have been in custody where they will remain pending transfer to a U.S. Bureau of Prisons facility to be determined in the near future. Pamela Rose was permitted to remain on bond and voluntarily surrender at a later date.

This case was the result of a joint investigation with the USPS - OIG, DOL - OIG, IRS - CI, Department of Veterans Affairs - OIG, and Department of Homeland Security - OIG. Assistant United States Attorneys (AUSA) Julie Redlinger and Daniel Rodriguez prosecuted the case. AUSA Kristine Rollinson handled the forfeiture matters.

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