



# Department of Justice

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Southern District of Ohio

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## **COLUMBUS DOCTOR TO PLEAD GUILTY TO RUNNING MEDICAL CENTER AS DRUG PREMISES, TAX CHARGES**

*Government seizes more than \$29 million in proceeds*

COLUMBUS, Ohio – Today the government unsealed a plea agreement with the owner and operator of Columbus Southern Medical Center, which provided unlawful prescriptions of controlled substances to addicts throughout the Midwest and who engaged in a series of schemes to evade more than \$3.5 million in taxes.

Kevin B. Lake, 50, of New Albany, Ohio, pleaded guilty to drug, tax and fraud charges and agreed to the forfeiture of what remains from the \$29 million in seized funds earned from the clinic's illegal activities, after restitution is paid from the funds.

Acting Deputy Assistant Attorney General Stuart M. Goldberg of the Department of Justice's Tax Division; Benjamin C. Glassman, United States Attorney for the Southern District of Ohio; Timothy J. Plancon, Special Agent in Charge, Drug Enforcement Agency (DEA); Troy N. Stemen, Acting Special Agent in Charge, Internal Revenue Service (IRS) Criminal Investigation; James Vanderberg, Special Agent in Charge, U.S. Department of Labor Office of the Inspector General; Joe Rivers, Regional Director of the U.S. Department of Labor Employee Benefits Security Administration; Ohio Attorney General Mike DeWine; Ohio Bureau of Workers' Compensation Administrator/CEO Sarah Morrison and Columbus Police Chief Kim Jacobs announced the plea that is scheduled to be entered into today at 2pm before U.S. District Judge Michael H. Watson.

According to court documents, Lake owned and managed Columbus Southern Medical Center through one or more corporate or trust entities which he used to insulate himself from the illegal drug trafficking being conducted at the clinic.

In the filed plea document, he admitted that between 2006 and 2013, he knew doctors and staff at the 2912 South High Street clinic prescribed controlled substances to patients without a legitimate medical purpose. During that time, hundreds of patients showed up daily – 85 percent of whom were returning patients – to receive prescriptions of oxycodone, hydrocodone and

Xanax. The percentage of patients who were prescribed these controlled substances rose each year, jumping from nearly 60 percent in 2004 to nearly 92 percent in 2009 and 2010.

Lake agreed to plead guilty to maintaining the clinic as a drug premises. He also admitted that he exclusively controlled all of the proceeds generated by the illegal activity being conducted by the doctors, physician assistants and staff at the clinic, which was more than \$38 million in payments for patient visits. He admitted to engaging in more than \$20 million in money laundering transactions with these illegal drug proceeds.

The doctor also agreed to plead guilty to tax evasion on his personal income tax returns and admitted to filing fraudulent tax returns for his corporations and trusts. He paid himself more than \$90,000 in 2010 through 2013 from the clinic entities, which he did not report as income, but instead disguised as phony rental payments ostensibly for use of his personal residence for corporate retreats. He also took inflated charitable contribution deductions on his individual income tax returns. In addition, Lake admitted causing the filing of corporate tax returns that falsely claimed inflated depreciation deductions for nearly \$7.4 million in so-called "equipment" purchases by his corporations from his trust for tax years 2005 through 2011. He also admitted to falsely reporting these purchases as capital gains on his trust tax returns rather than as ordinary income, thereby securing a much lower tax rate. Lake's tax crimes caused a tax loss of more than \$3.5 million.

After the DEA first appeared at the clinic in June 2010, Lake took several steps to separate himself from the drug premises; he stopped paying himself a salary, and instead filed a fraudulent claim for disability payments from his two disability insurers. The insurance companies ultimately denied his claims, and only paid out \$18,000. Lake also sold the clinic's remaining stock to employees through an Employee Stock Ownership Plan (ESOP) for the inflated price of \$14 million.

After the ESOP sale, and the denial of his fraudulent disability claim, Lake fraudulently filed for and collected unemployment benefits, stealing more than \$20,000 in government funds.

Finally, the doctor admitted to defrauding the Bureau of Workers' Compensation by having employees upcode office visits in order to bill for higher level medical services in addition to those provided by physician assistants as if they were provided by physicians, causing a loss of more than \$260,000.

As part of the plea agreement, and due to Lake's cooperation in the government's investigation, the parties involved recommended to the court that Lake receive a sentence of 60 months in prison. Judge Watson will consider the recommended sentence at a sentencing hearing that has yet to be scheduled.

"At the same time Dr. Lake was running his medical center as an illegal drug premises, he took every opportunity to cheat the U.S. Treasury out of millions of dollars in taxes," said Acting Deputy Assistant Attorney General Goldberg. "As the income tax filing season begins, Lake's guilty plea is a stark reminder of what awaits those filing false returns -- no matter their profession, income level or the complexity of their scheme."

"For seven years, Kevin Lake operated Columbus Southern Medical Center as a pill mill," said U.S. Attorney Glassman. "He got rich by feeding the addictions of hundreds and hundreds of people. Thanks to the thorough investigation of federal, state, and local law enforcement agencies, however, Lake has agreed to plead guilty to drug, tax, and fraud charges, forfeit his ill-gotten gains, and serve time in federal prison for his misdeeds."

"Today's guilty plea exemplifies DEA's determination to combat the troubling prescription drug and opiate abuse problem currently plaguing this country." Special Agent in Charge Timothy J. Plancon said. "Kevin Lake abused his position of trust and jeopardized the lives of many individuals, by conspiring with others to illegally prescribe controlled substances that ended up being consumed throughout Ohio and the surrounding states. This investigation uncovered the elaborate lengths that Lake undertook to conceal his illegal profits, and the seizure of \$29 million from Lake is indicative of the scope of his illegal activity. Lake's guilty plea should serve as a warning to all medical professionals that if you prescribe medicine for personal gain, you will be prosecuted to the fullest extent of the law. This investigation was a success thanks to the outstanding investigative work by all of our federal, state, and local law enforcement partners."

"Dr. Lake's conduct detailed in this case is egregious and had such a negative impact on our community," said Troy N. Stemen, Acting Special Agent in Charge, IRS Criminal Investigation, Cincinnati Field Office. "This is an important victory for the citizens of Central Ohio. Dr. Lake not only fueled the prescription drug problem in Central Ohio, but he supported addiction in several parts of the country. As a result of this joint investigative effort, the government has seized a significant portion of the illegal proceeds through asset forfeiture, and Dr. Lake is faced with having to pay back taxes with interest and steep penalties."

"The Office of Inspector General congratulates the U.S. Attorney's Office and all of the investigators on this important case. The OIG will continue to work with our law enforcement partners to investigate unemployment insurance fraud and employee retirement plan fraud schemes," stated James Vanderberg, Special Agent in Charge, Chicago Region, U.S. Department of Labor, Office of Inspector General.

"There is no doubt that today's opiate epidemic is due in large part to the overprescribing of prescription pain medication across this state. This defendant preyed on those battling addiction in an effort to make millions from their suffering," said Ohio Attorney General Mike DeWine. "An incredible amount of hard work went into investigating and prosecuting this case. Because of this team effort, this pill mill operation has been shut down."

"We place trust in our healthcare professionals to provide quality treatment that improves the health of injured workers," said BWC Administrator/CEO Sarah Morrison. "We're pleased to do our part to address the problem of prescription drug abuse in Ohio, as well as put an end to Dr. Lake's fraudulent billing scheme."

"It is through the hard work of the investigators and the cooperation of agencies at the federal, state, and local level that led to the successful investigation and prosecution of this pill mill," Columbus Police Deputy Chief Michael Woods said.

Three co-defendants have pleaded guilty as part of this case. Dr. Terry Dragash was sentenced in October 2014 to one year in prison for conspiracy to distribute drugs as a result of his conduct in prescribing at the clinic. Dr. David Rath pleaded guilty to a similar conspiracy charge. And in December 2015, Karen Climer – another employee of Lake’s – pleaded guilty to conspiracy and was sentenced to six months in prison after the government revealed she was cooperating in the investigation into Lake.

Acting Deputy Assistant Attorney General Goldberg and U.S. Attorney Glassman commended the investigation of this case by the DEA Tactical Diversion Squad – including the Ohio Attorney General’s Bureau of Criminal Investigation (BCI) and Columbus Division of Police – IRS Criminal Investigation, Ohio Bureau of Workers’ Compensation, Department of Labor OIG and Employee Benefits Security Administration, Central Ohio Drug Enforcement Task Force, Franklin County Sheriff’s Office, Ohio State Board of Pharmacy and the State Medical Board of Ohio, as well as Assistant United States Attorney Kenneth F. Affeldt and Department of Justice Tax Division Trial Attorneys Richard M. Rolwing and Carl F. Brooker, who are representing the United States in this case.

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