



OFFICE OF THE ATTORNEY GENERAL
MEDICAID FRAUD CONTROL UNIT
(MFCU)

Randall L. Clouse, Director

MFCU STAFFING

SOUTHWEST VIRGINIA

- 1 ASSISTANT AG
- 1 INVESTIGATIVE SUPERVISOR
- 2 SENIOR INVESTIGATORS
- 1 INVESTIGATOR
- 1 AUDITOR
- 1 INVESTIGATIVE ANALYST
- 1 DOCUMENT ANALYST

NORTHERN VIRGINIA

- 1 ASSISTANT AG
- 1 INVESTIGATOR
- 1 SENIOR INVESTIGATOR
- 1 FORENSIC ACCOUNTANT

RICHMOND

- DIRECTOR
- DEPUTY DIRECTOR (Prosecution & Litigation)
- DEPUTY DIRECTOR (Investigations & Audit)
- CHIEF PROSECUTOR
- CHIEF AUDITOR
- CHIEF INVESTIGATOR
- 4 ASSISTANT AG
- 2 INVESTIGATIVE SUPVS
- 3 SR INVESTIGATORS
- 2 SOC SEC INVESTIGATORS
- 2 NURSE INVESTIGATORS
- 1 CIVIL INVESTIGATOR
- 1 FORENSIC AUDITOR
- 1 ADMIN. COORDINATOR
- 1 LEGAL SECRETARY
- 1 PARALEGAL
- 1 PROGRAM COORINATOR

ROANOKE

- 1 ASSISTANT AG
- 2 SENIOR INVESTIGATORS
- 1 INVESTIGATOR

NORFOLK

- 1 ASSISTANT AG
- 2 CRIMINAL INVESTIGATORS
- 1 NURSE INVESTIGATOR



History of the Unit

- In 1982, the General Assembly created the MFCU to investigate fraud and abuse against the Virginia Medicaid program.
- Investigate Medicaid providers only
- In 1999, a Patient Abuse and Neglect Squad was created to investigate allegations of patient abuse and neglect in healthcare facilities

- The MFCU has independent subpoena authority.
- We do not have powers of arrest therefore we work cases with local, state and federal law enforcement agencies.
- Charges include healthcare fraud, RICO, false claims, mail fraud and money laundering.
- 75% federally funded
- Grant from HHS
- Reports to the Virginia Attorney General

Investigations

- **Good old fashioned Criminal Investigations**
- **Mail Covers**

- **Financial Analysis**
- **Locating Assets**
- **Asset Forfeiture**
- **Surveillance**
- **Undercover Operations**
- **Search Warrants**
- **Interviews**
- **Non-Custodial interrogations w/signed confessions**
- **Exculpatory evidence**





Patient Abuse and Neglect Squad

- **The Patient Abuse and Neglect Squad was formed in July 1999.**
- **The squad investigates physical abuses against the elderly in Healthcare facilities.**
- **The squad also investigates Corporate neglect in healthcare facilities.**

Unit Performance

- **From 1982 – 2000 the Virginia MFCU convicted approximately 104 individuals and recovered over \$11.2 Million from criminal and civil cases**
- **In the last five years the Virginia MFCU has convicted 64 individuals and recovered over \$688 million from civil and criminal cases**

#1 Unit in the United States

This year the Virginia Attorney General's Medicaid Fraud Control Unit was named the Medicaid Fraud Control Unit of the Year by the United States Department of Health and Human Services- Office of the Inspector General. The MFCU received this award for making the highest recovery of any state in the history of the program.

History of OxyContin

- Approved by the FDA in 1995 for treatment of moderate-to-severe pain.
- Local law enforcement noted an increase in the misuse and diversion of OxyContin.
- Dubbed “hillbilly heroin” by law enforcement.
- In 1990s, law enforcement noted surge in violent crimes.

MFCU Initial Investigation

- In 1998, eight law enforcement agencies including MFCU participated in Operation Octagon.
- Eight doctors convicted of health care fraud.
- In 2000, then Attorney General Mark Earley formed the OxyContin Task Force.

One common denominator always
seemed to be present:

The Purdue Companies

The Investigation: December of 2002 – July of 2007

– State

- Virginia Medicaid Fraud Control Unit
- West Virginia State Police
- Virginia State Police

– Federal

- FDA, Office of Criminal Investigations
- IRS, Criminal Investigations Division
- HHS, Office of Inspector General
- DoD, Defense Criminal Investigation Service
- DoL, Office of Inspector General

OxyContin Stored Documents



Covered Conduct of Purdue & Corporate Officers

- The investigation revealed Purdue fraudulently misbranded the drug OxyContin by marketing the drug to physicians as a slower release, less addictive drug than other prescription opioids.
- Purdue's claims were either not supported by the research conducted or contrary to that research.

Purdue Frederick Plea Agreement

- Plead guilty to one count of felony misbranding of a drug with the intent to defraud or mislead

- \$276,100,000 Asset Forfeiture
- \$130,000,000 for civil settlement fund
- \$160,000,000 to HHS/Medicaid (state & federal) – civil settlement
- \$20,000,000 to the Virginia Prescription Drug Monitoring Program (funding in perpetuity)
- \$3,471,221 to the Medicaid Rebate Recalculation
- \$5,300,000 to the Medicaid Fraud Control Unit – investigative costs (program income)
- \$4,628,779 to pay for monitoring Program Costs (Corporate Integrity Agreement and Compliance)
- \$500,000 fine to the Clerk, U.S. District Court, Abingdon, Virginia

Corporate Officer Plea Agreements

- President and Chief Executive Officer, Michael Friedman pled guilty to one count of misdemeanor misbranding of a drug. He paid \$19,000,000 to Medicaid Fraud Control Unit Program Income Fund.
- Former Executive Vice President and Chief Legal Officer, Howard Udell pled guilty to one count of misdemeanor misbranding of a drug. He paid \$8,000,000 to Medicaid Fraud Control Unit Program Income Fund.

Corporate Officer Plea Agreements

- Executive Vice President of Worldwide Research & Development and Chief Scientific Officer, Paul Goldenheim plead guilty to one count of misdemeanor misbranding of a drug. He paid \$7,500,000.00 to Medicaid Fraud Control Unit Program Income Fund.

Funds to the Commonwealth: The Purdue Frederick Company, Inc.

■ Prescription Drug Monitoring Program	\$20,000,000
■ Medicaid Fraud Control Unit Program Income Fund	\$ 5,300,000
■ Medicaid Restitution to DMAS	\$ 1,225,168
■ Asset Forfeiture to the Virginia State Police	\$44,176,000

Funds to the Commonwealth: Individual Defendants

- **Michael Friedman (corporate officer)**

Medicaid Fraud Control Unit

Program Income Fund \$19,000,000

- **Howard Udell (corporate officer)**

Medicaid Fraud Control Unit

Program Income Fund \$ 8,000,000

- **Paul Goldenheim (corporate officer)**

Medicaid Fraud Control Unit

Program Income Funds \$ 7,500,000

Total Recovery to the Commonwealth – All Defendants

Total funds to the MFCU Program

Income Funds \$39,800,000

Total funds to Prescription

Drug Monitoring Program \$20,000,000

Total funds to Virginia

State Police \$44,176,000

Total funds to DMAS

\$ 1,225,168

**Total to the
Commonwealth of Virginia**

\$105,201,168

MFCU 2008

QUESTIONS???