

UNITED STATES DISTRICT COURT
DISTRICT OF CONNECTICUT
Grand Jury N-18-2

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UNITED STATES OF AMERICA

Criminal No. 3:19CR 266 (JAM)

v.

VIOLATION:

R. JEFFREY YATES

18 U.S.C. § 1349
(Conspiracy to Commit Health Care Fraud and
Mail Fraud)
18 U.S.C. § 1347 (Health Care Fraud)
18 U.S.C. § 2 (Aiding and Abetting)
18 U.S.C. § 1341 (Mail Fraud)

INDICTMENT

The Grand Jury charges:

COUNT ONE

(Conspiracy to Commit Health Care Fraud and Mail Fraud)

At all times relevant to this Indictment:

Background: The Affordable Care Act

1. In March 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (“the Affordable Care Act,” or “ACA”), was signed into law. As part of the many ACA mandates, individuals in the United States were required to obtain a minimum amount of health insurance coverage or pay a tax penalty, unless they qualified for an exemption.
2. To expand options for purchasing health insurance, the ACA established health insurance exchanges (commonly referred to as “marketplaces”) to enable individuals and small businesses to shop for health insurance in all fifty States and the District of Columbia.
3. Under the ACA, each state could elect to establish a health care exchange/ marketplace that provided access to health care benefit programs and plans administered by that

state (“ACA Plans”). Connecticut established a health care exchange called “Access Health CT.” Access Health CT offered ACA Plans operated by Anthem Blue Cross Blue Shield, Connecticare Benefits Inc., Healthy CT, and United Healthcare. Connecticut residents could enroll online at the state marketplace website, accesshealthct.com. Access Health CT began accepting enrollments in or about October 2013.

4. Under the ACA, states could also elect not to establish state exchanges. Individuals from states without exchanges could enroll online in an ACA Plan through the federal marketplace website, HealthCare.gov. Where applicable, the federal marketplace website also linked individuals to the exchange operated in the individuals’ home states.

5. The Centers for Medicare and Medicaid Services (CMS), an agency of the U.S. Department of Health and Human Services, administered the ACA and operated the federal marketplace.

6. In addition to enrolling through the federal or state marketplace websites, an individual could directly contact an insurance company that operated an ACA Plan to begin enrollment. An individual could also enroll by phone, by mail, in person, or directly with a broker or agent of a health insurance company.

7. Regardless of the method used, as part of the enrollment process, an individual had to complete a brief application. As part of the application, the individual attested that answers to all of the questions on the application were true and accurate and that any fraud or misrepresentation would result in a denial of coverage, or that he or she was subject to the penalty of perjury and other applicable penalties for false statements.

8. Under ACA regulations, in order to be eligible to enroll in an ACA Plan anywhere in the United States, an individual had to: (1) be a U.S. citizen or national, or be lawfully present

in the United States; (2) not be incarcerated; and (3) meet the applicable residency requirement. In order to meet the residency requirement, an individual had to: (a) live in the service area of the particular exchange in which he or she was enrolling, and (b) intend to reside there, or have entered a job commitment or be seeking employment in that service area. The service area of an exchange was usually the entire state in which the exchange operated.

9. ACA Plans in Connecticut and elsewhere would not enroll an individual in their respective Plan if the individual did not in fact reside or intend to reside in the state or area where the particular Plan operated, or if the individual was otherwise not eligible to enroll in their respective Plan, and would not pay for services submitted for any individual enrolled in their Plan under false or fraudulent pretenses.

The Defendant

10. The defendant, R. JEFFREY YATES (“JEFFREY YATES”), was a resident of Santa Ana, California.

11. JEFFREY YATES held an ownership interest in and operated an entity known Morningside Recovery. Morningside Recovery operated substance abuse treatment facilities located in the vicinity of Orange County, California, and its headquarters was located in Irvine, California. Beginning no later than November 2013, JEFFREY YATES functioned as the Chief Executive Officer (CEO) of Morningside Recovery. As a result of his ownership interest and his position as CEO, JEFFREY YATES had ultimate control and authority over Morningside Recovery’s business operations.

Other Co-Conspirators

12. Jeffrey White was a resident of Twin Peaks, California. Jeffrey White has described himself as the founder and senior pastor of True Hope Ministries. In addition to True

Hope, White operated other business entities, including Mile High Resorts and Jeff Ventures II. Through these entities, Jeffrey White enrolled individuals in ACA Plans operating in Connecticut and in other states.

13. Nicholas White was a resident of Twin Peaks, California, and is Jeffrey White's son. Nicholas White assisted his father in enrolling individuals in ACA Plans.

The Conspiracy

14. Beginning in or about December 2014, and continuing through in or about October 2017, in the District of Connecticut and elsewhere, the defendant, JEFFREY YATES, knowingly conspired and agreed together and with each other with Jeffrey White, Nicholas White, and others known and unknown to the Grand Jury:

(a) to commit health care fraud, that is, to knowingly and willfully execute and attempt to execute a scheme and artifice to defraud health care benefit programs, as defined in 18 U.S.C. § 24(b), in Connecticut and elsewhere, and to obtain by means of false and fraudulent pretenses, representations, and promises, money and property owned by, or under the custody and control of, health care benefit programs in Connecticut and elsewhere, in violation of 18 U.S.C. § 1347, and

(b) to commit mail fraud, that is, to devise and willfully participate in, with knowledge of its fraudulent nature, a scheme and artifice to defraud and obtain money and property by materially false and fraudulent pretenses, representations, and promises, and to knowingly cause to be delivered by mail or by any private or commercial interstate carrier any matter or thing according to the directions thereon, in violation of 18 U.S.C. § 1341.

15. The purpose of the conspiracy was for the defendant and others to enrich themselves by fraudulently enrolling individuals with substance abuse problems (the "patients")

in ACA Plans that offered the highest possible reimbursement for residential substance abuse treatment services, even though the patients were not in fact residents of the offering state, as required by law. In order to fraudulently enroll the patients in the designated ACA Plans, the defendant and his co-conspirators made materially false representations to the ACA plans about where the patients lived or intended to live, and concealed the patients' actual residences from the ACA Plans.

The Manner And Means Of The Conspiracy

The manner and means by which JEFFREY YATES and his co-conspirators sought to accomplish and did accomplish the objects of the conspiracy included, among others, the following:

16. It was part of the conspiracy that JEFFREY YATES and his co-conspirators, including Jeffrey White and Nicholas White, identified potential patients in need of substance abuse treatment but who either had no health insurance, or were enrolled in a health insurance plan that was not desirable to Morningside Recovery. As part of this process, at times JEFFREY YATES directed Morningside Recovery senior management and employees to refer individuals without health insurance to Jeffrey White and Nicholas White, or entities associated with the Whites.

17. It was part of the conspiracy that JEFFREY YATES and his co-conspirators, including Jeffrey White and Nicholas White, identified and discussed which ACA Plans would pay higher reimbursement amounts for Morningside Recovery's services. As part of this process, JEFFREY YATES directed employees and management of Morningside Recovery to tell Jeffrey White and Nicholas White how much various ACA plans paid Morningside Recovery for

substance abuse treatment services, and to identify which ACA Plans paid Morningside Recovery well compared to other ACA Plans.

18. It was part of the conspiracy that Jeffrey White and Nicholas White then enrolled using fraudulent addresses the patients in the ACA Plans that they, JEFFREY YATES, and Morningside Recovery had identified, even though the patients neither resided nor intended to reside in the area or state where the chosen ACA Plan operated. The defendant, JEFFREY YATES, knew that his co-conspirators, including Jeffrey White and Nicholas White, used false addresses in order to meet the ACA Plan's residency requirement based on the false information.

19. It was part of the conspiracy that at times, Jeffrey White and Nicholas White also falsely represented to the ACA Plans that the patients had recently moved to the respective phony addresses, in order to establish a Qualifying Life Event under the ACA, which allowed each patient to enroll outside the open season for ACA enrollments. The defendant, JEFFREY YATES, knew that his co-conspirators, including Jeffrey White and Nicholas White, used false addresses in order to establish a purported Qualifying Life Event under the ACA, when no such event had occurred.

20. It was part of the conspiracy that Jeffrey White and Nicholas White and entities related to Jeffrey White then paid the initial premiums for the patients' enrollment in the ACA Plans, and arranged for the patients to travel to California and be placed in a Morningside Recovery facility and program operated by JEFFREY YATES.

21. It was part of the conspiracy that Morningside Recovery then billed the ACA Plans in which the patients had fraudulently been enrolled, including plans in Connecticut, for thousands of dollars of substance abuse treatment services, including laboratory fees.

22. It was part of the conspiracy that once the patients were placed at Morningside Recovery and had resided for an agreed-upon minimum period of time, JEFFREY YATES then

directed Morningside Recovery employees and management to pay referral fees to Jeffrey White and entities related to Jeffrey White for each patient that Jeffrey White and Nicholas White had placed at Morningside Recovery. JEFFREY YATES and Morningside senior management negotiated with Jeffrey White how much Morningside Recovery would pay Jeffrey White for each patient the Whites placed at Morningside. At times, Morningside Recovery paid Jeffrey White and entities related to Jeffrey White a flat fee per patient enrolled, and at other times, Morningside Recovery paid Jeffrey White and entities related to Jeffrey White a flat fee plus a percentage of the money Morningside received from the ACA Plan for treating that particular patient. Regardless of the fee arrangement, JEFFREY YATES had final approval authority over the payment of the referral fee to Jeffrey White, and personally approved each referral fee Morningside paid to Jeffrey White and entities related to Jeffrey White.

23. It was part of the conspiracy that for some patients referred to Morningside by Jeffrey White, at JEFFREY YATES's direction and with JEFFREY YATES's approval, Morningside Recovery reimbursed Jeffrey White for insurance premiums that White had paid to enroll the patients in ACA Plans. Through this practice, by paying a monthly premium of a few hundred dollars for a patient, Morningside was able to and did bill the patient's ACA plan for thousands of dollars in services.

24. In furtherance of the conspiracy and to effect the objects of the conspiracy, JEFFREY YATES and his co-conspirators committed and caused to be committed the following acts, among others, in the District of Connecticut and elsewhere:

a. On or about December 14, 2015, Jeffrey White and other co-conspirators working with Jeffrey White enrolled a patient whose initials are J.S. in a Connecticut ACA Plan offered by Anthem Blue Cross Blue Shield, a health care benefit program located in

Connecticut, using a fraudulent residential address for J.S. located on Hazelnut Drive in Farmington, Connecticut;

b. On or about February 12, 2016, Morningside Recovery submitted a claim to the Connecticut ACA Plan offered by Anthem Blue Cross Blue Shield for medical treatment and services purportedly provided to J.S.;

c. On or about February 20, 2016, Morningside Recovery submitted a claim to the Connecticut ACA Plan offered by Anthem Blue Cross Blue Shield for medical treatment and services purportedly provided to J.S.;

d. On or about February 26, 2016, Morningside Recovery submitted a claim to the Connecticut ACA Plan offered by Anthem Blue Cross Blue Shield for medical treatment and services purportedly provided to J.S.;

e. On or about April 9, 2016, Morningside Recovery submitted a claim to the Connecticut ACA Plan offered by Anthem Blue Cross Blue Shield for medical treatment and services purportedly provided to J.S.;

f. On or about April 30, 2016, Morningside Recovery submitted a claim to the Connecticut ACA Plan offered by Anthem Blue Cross Blue Shield for medical treatment and services purportedly provided to J.S.;

g. On or about January 15, 2016, Jeffrey White and other co-conspirators working with Jeffrey White enrolled a patient whose initials are S.H. in an Connecticut ACA Plan offered by Anthem Blue Cross Blue Shield, a health care benefit program located in Connecticut, using a fraudulent residential address for S.H. located on Hazelnut Drive in Unionville, Connecticut;

h. On or about March 4, 2016, Morningside Recovery submitted a claim to the Connecticut ACA Plan offered by Anthem Blue Cross Blue Shield for medical treatment and services purportedly provided to S.H.;

All in violation of Title 18, United States Code, Section 1349.

COUNTS TWO THROUGH EIGHT
(Health Care Fraud)

25. The allegations contained in Paragraphs 1 through 23 are realleged and incorporated as setting forth a scheme to defraud.

The Health Care Fraud Scheme

26. From in or about December 2014, and continuing through in or about October 2017, in the District of Connecticut and elsewhere, JEFFREY YATES and others, known and unknown to the Grand Jury, knowingly and willfully executed and attempted to execute a scheme and artifice to defraud ACA Plans in Connecticut and elsewhere, and to obtain, by means of materially false and fraudulent pretenses, representations, and promises, money and property owned by and under the custody and control of the ACA Plans, in connection with the delivery of and payment for health care benefits, items, and services, by submitting claims to ACA Plans for individuals who were fraudulently enrolled in ACA Plans even though the patients were not in fact residents of the offering state, as required by law.

27. On or about the dates below, in the District of Connecticut, and elsewhere, for the purpose of executing the scheme to defraud, JEFFREY YATES submitted and caused to be submitted to a Connecticut ACA Plan operated by Anthem Blue Cross Blue Shield the following claims for medical items, benefits, and services:

| Count | Date Claim Submitted | Patient Initials | Claim # | Date of Payment Check |
|-------|----------------------|------------------|-------------|-----------------------|
| 2 | 2/12/2016 | J.S. | 16043BH3833 | 2/24/2016 |
| 3 | 2/20/16 | J.S. | 16051BF4659 | 2/26/2016 |
| 4 | 2/26/16 | J.S. | 16057BI1761 | 3/23/2016 |
| 5 | 4/9/2016 | J.S. | 16100BF9682 | 4/12/2016 |
| 6 | 4/30/16 | J.S. | 16121BF6721 | 5/3/2016 |
| 7 | 3/4/2016 | S.H. | 16064BH2928 | 3/8/2016 |
| 8 | 3/9/2016 | S.H. | 16069BN8453 | 3/14/2016 |

All in violation of Title 18, United States Code, Sections 1347 and 2.

COUNTS NINE THROUGH THIRTEEN
(Mail Fraud)

28. The allegations contained in Paragraphs 1 through 23 and 27 are realleged and incorporated as setting forth a scheme to defraud.

The Mail Fraud Scheme

29. From in or about December 2014, and continuing through in or about October 2017, in the District of Connecticut and elsewhere, the defendant, JEFFREY YATES, knowingly and with the intent to defraud, devised and executed the above-described scheme and artifice to defraud and to obtain money and property by materially false and fraudulent pretenses, representations, and promises.

30. On or about the dates below, in the District of Connecticut, for the purpose of executing or attempting to execute the above-described scheme and artifice to defraud and to obtain money or property by means of materially false or fraudulent pretenses, representations, or promises, the defendant, JEFFREY YATES, did place, deposit, and cause to be placed and

deposited, the respective letter, mail matter, or thing, to be sent and delivered by U.S. mail and private commercial carrier according to the directions thereon the following:

| Count | Date | Description of Item Delivered by Mail |
|-------|-----------|---|
| 9 | 2/4/2016 | Letter from Anthem UM Services, Inc., 108 Legius Road, Wallingford, CT to Morningside Recovery, 1400 Reynolds Avenue, Irvine, CA re: J.S. |
| 10 | 2/10/2016 | Letter from Anthem UM Services, Inc., 108 Legius Road, Wallingford, CT to Morningside Recovery, 1400 Reynolds Avenue, Irvine, CA re: J.S. |
| 11 | 2/18/2016 | Letter from Anthem UM Services, Inc., 108 Legius Road, Wallingford, CT to Morningside Recovery, 1400 Reynolds Avenue, Irvine, CA re: J.S. |
| 12 | 3/3/2016 | Letter from Anthem UM Services, Inc., 108 Legius Road, Wallingford, CT to Morningside Recovery, 1400 Reynolds Avenue, Irvine, CA re: J.S. |
| 13 | 8/25/2016 | Letter from Anthem UM Services, Inc., 108 Legius Road, Wallingford, CT to Morningside Recovery, 1400 Reynolds Avenue, Irvine, CA re: S.H. |

All in violation of Title 18, United States Code, Section 1341.

A TRUE BILL

/s/

FOREPERSON

UNITED STATES OF AMERICA



JOHN H. DURHAM
UNITED STATES ATTORNEY



DAVID J. SHELDON
ASSISTANT UNITED STATES ATTORNEY