

**CONFIDENTIAL**

MC-060

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FOR COURT USE ONLY

**FILED**  
**Superior Court Of California,**  
**Sacramento**  
**05/25/2012**  
 mpurcell  
 By \_\_\_\_\_, Deputy  
 Case Number:  
**34-2012-00125005**

**SUPERIOR COURT OF CALIFORNIA, COUNTY OF Sacramento**  
 STREET ADDRESS 720 9th Street  
 MAILING ADDRESS:  
 CITY AND ZIP CODE: Sacramento, CA 95814  
 BRANCH NAME Gordon D. Schaber Sacramento County Courthouse

PLAINTIFF: [UNDER SEAL]  
 DEFENDANT: [UNDER SEAL]

**CONFIDENTIAL COVER SHEET—FALSE CLAIMS ACTION**

CASE NUMBER:

**INSTRUCTIONS: This civil action is brought under the False Claims Act, Government Code section 12650 et seq. The documents filed in this case are under seal and are confidential pursuant to Government Code section 12652(c).**

**This Confidential Cover Sheet must be affixed to the caption page of the complaint and to any other paper filed in this case until the seal is lifted.**

**You should check with the court to determine whether papers filed in False Claims Act cases must be filed at a particular location.**

Seal to expire on (date):

**UNLESS:**  
 (1) Motion to extend time is pending; or  
 (2) Extended by court order

1. The document to which this cover sheet is affixed is:
  - a.  Complaint for damages for violation of the False Claims Act
  - b.  Civil Case Cover Sheet (form 982.2(b)(1))
  - c.  Motion for an extension of time to intervene
  - d.  Affidavit or other document in support of the motion for an extension of time
  - e.  Order extending time to intervene (specify date order expires):
  - f.  Other order (describe):
  - g.  Notice from the Attorney General of additional prosecuting authority that may have access to the file
  - h.  Other (describe):

2. This Confidential Cover Sheet and the attached document must each be separately file-stamped by the clerk of the court.

Date: May 25, 2012

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11 **IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA**  
12 **IN AND FOR THE COUNTY OF SACRAMENTO**

13 **STATE OF CALIFORNIA** *ex rel.*  
14 **[FILED UNDER SEAL],**  
15 Plaintiffs,  
16 vs.  
17 **[FILED UNDER SEAL],**  
18 Defendant.

Case No. \_\_\_\_\_  
**COMPLAINT**  
**(1) FOR VIOLATIONS OF THE CALIFORNIA INSURANCE FRAUDS PREVENTION ACT, AND**  
**(2) FOR VIOLATIONS OF THE CALIFORNIA FALSE CLAIMS ACT**  
**(Cal. Gov. Code § 12652;  
Cal. Ins. Code § 1871.7)**  
**DEMAND FOR JURY TRIAL**

25 **FILED IN CAMERA AND UNDER SEAL**

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10  
11 **IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA**  
12 **IN AND FOR THE COUNTY OF SACRAMENTO**

13 **STATE OF CALIFORNIA** *ex rel.*  
14 **MARK SERSANSIE and WILLIAM**  
**REYNOLDS,**

15 Plaintiffs,

16 vs.

17 **GARDENS REGIONAL HOSPITAL**  
18 **MEDICAL CENTER, INC.** (d/b/a Tri-City  
Regional Medical Center);  
19 **SOUTH BAY HOSPITAL**  
**MANAGEMENT COMPANY, LLC.;**  
20 **HEALTHSMART PACIFIC, INC.** (d/b/a  
Pacific Hospital of Long Beach);  
21 **RIVERSIDE HEALTHCARE SYSTEM,**  
**L.P.** (d/b/a Riverside Community Hospital);  
22 **ST. BERNARDINE MEDICAL CENTER;**  
**SPINAL SOLUTIONS, LLC.;**  
23 **INTERNATIONAL IMPLANTS, LLC.;**  
**COMPREHENSIVE INTRA-OPERATIVE**  
24 **SERVICES, INC.** (d/b/a C.I.O.S., Inc.);  
**SUMMIT MEDICAL EQUIPMENT, INC.;**  
25 **PLATINUM MEDICAL GROUP, INC.;**  
**CROWDER MACHINE & TOOL SHOP;**  
26 **JACK AKMAKJIAN, M.D.;**  
**G. SUNNY UPPAL, M.D.;**  
27 **JOSEPH VANDERLINDEN, M.D.;**  
**EDWARD C. KOLPIN, M.D.;**

Case No. \_\_\_\_\_

**COMPLAINT**

- (1) **FOR VIOLATIONS OF THE CALIFORNIA INSURANCE FRAUDS PREVENTION ACT, AND**
- (2) **FOR VIOLATIONS OF THE CALIFORNIA FALSE CLAIMS ACT**

(Cal. Ins. Code § 1871.7;  
Cal. Gov. Code § 12652)

**DEMAND FOR JURY TRIAL**

1 SUMMIT MEDICAL EQUIPMENT, INC.;;  
2 PLATINUM MEDICAL GROUP, INC.;;  
3 CROWDER MACHINE & TOOL SHOP;  
4 JACK AKMAKJIAN, M.D.;;  
5 G. SUNNY UPPAL, M.D.;;  
6 JOSEPH VANDERLINDEN, M.D.;;  
7 EDWARD C. KOLPIN, M.D.;;  
8 HEALTHPOINTE MEDICAL GROUP,  
9 INC.;;  
10 JEFFREY S. CATANZARITE, D.C.;;  
11 MICHAEL DROBOT;  
12 MICHAEL "MIC" MCGRATH;  
13 PAUL RANDALL;  
14 CHRISTINE HERNANDEZ;  
15 ROGER WILLIAMS,  
16 BERYL WEINER;  
17 WILLIAM CROWDER;  
18 MARY WILLIAMS;  
19 and DOES 1 through 60,

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Defendants.

FILED IN CAMERA AND UNDER SEAL

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1 **I. INTRODUCTION**

2 1. This *Qui Tam* lawsuit is being brought to stop rampant insurance fraud  
3 achieved through the unlawful employment of “runners, cappers and steerers,”  
4 overbilling, illegal kickbacks to doctors, and counterfeiting of medical implant hardware  
5 perpetrated by Defendant Hospitals and their surgeons, spinal surgery hardware  
6 distributors, and healthcare “marketers” in the area of **spinal fusion surgeries**. By virtue  
7 of their unlawful scheme, the Defendants, and their unnamed coconspirators, have  
8 cheated the California Workers’ Compensation System, including the State Compensation  
9 Insurance Fund (“SCIF”), Medi-Cal and private insurers out of hundreds of millions of  
10 dollars.

11 2. This scheme has led to patients receiving dangerous medical implants that  
12 have a substantial likelihood of failure. Many patients received spinal fusion surgeries  
13 that utilized **counterfeit screws and rods**, placing patients’ lives at risk, and subjecting  
14 them to further surgeries to replace the counterfeit hardware.

15 3. *Qui Tam* Plaintiffs, through deep investigation and inside knowledge of  
16 Defendants’ operations, have obtained vast non-public evidence supporting the  
17 allegations of this Complaint. Among other evidence, *Qui Tam* Plaintiffs are in  
18 possession of **the counterfeit screws and rods** that Defendants have knowingly  
19 implanted in hundreds, likely thousands, of California workers. *Qui Tam* Plaintiffs have  
20 verified with the bona fide manufacturers of the spinal hardware that the hardware used  
21 by Defendants, now in *Qui Tam* Plaintiffs’ possession, is counterfeit.

22 4. Additionally, *Qui Tam* Plaintiffs have obtained bills, invoices, agreements,  
23 and copies of payments that evidence the vast system of kickbacks that underlies the  
24 scheme described herein. *Qui Tam* Plaintiffs have also obtained details admissions from  
25 individuals involved in the spinal fusion surgery scheme.

26 5. California’s employers, including its public employers, are required by law  
27 to carry workers’ compensation coverage. In 2010, employers paid \$7.1 billion in  
28 insurance premiums to private insurers or SCIF to cover their workers’ compensation



1 liability. In turn, these insurers have paid billions in medical claims related to injured  
2 workers. As a result of the unlawful scheme described herein, private workers'  
3 compensation insurers, other private insurers, SCIF and Medi-Cal have paid grossly  
4 inflated prices for spinal fusion surgeries and hardware, including, in some cases, paying  
5 for surgeries that were not medically necessary. This unlawful and fraudulent scheme has  
6 only served to increase the cost of mandatory workers' compensation coverage for  
7 California's employers, as well as insurance premiums in the private market.

8         6.       The frequency of spinal fusion surgeries in the workers' compensation  
9 system has exploded in recent years. In 2010, spinal fusion surgeries accounted for a  
10 whopping 40% of inpatient hospital charges to the California Workers' Compensation  
11 System, up from only 30% in 2001. As discussed in more detail below, the Defendant  
12 Hospitals' revenues from spinal fusion surgeries have also dramatically increased during  
13 the period relevant to this Complaint. In 2007, Defendant Tri-City Regional Medical  
14 Center billed just **\$3 million** to workers' compensation insurers for spinal fusion  
15 surgeries. Only three years later, Tri-City billed workers' compensation carriers **\$65**  
16 **million** for the same surgery. This dramatic increase in revenue realized by Defendant  
17 Tri-City and the other Defendant Hospitals is due in large part to the unlawful  
18 employment of "runners, cappers, and steerers," overbilling, illegal kickbacks to doctors,  
19 counterfeiting of spinal implant hardware and other egregious and unlawful activity.

20         7.       The Legislature established the State Compensation Insurance Fund in  
21 1914. It is now the largest provider of workers' compensation coverage in California.  
22 SCIF is a division of the California Department of Industrial Relations and is considered  
23 a California state agency. *See, Gilmore v. SCIF* (1937) 23 Cal.App.2d 325, 329 (SCIF "is  
24 an agency of the state."). SCIF's mission is to provide an available market for workers'  
25 compensation insurance at fair rates, and to serve as a model for all workers'  
26 compensation carriers. It includes approximately 150,000 policyholders, more than \$1.2  
27 billion in premium, and nearly \$20 billion in assets. In addition to covering private  
28 employers, SCIF also acts as the workers' compensation carrier for several California

1 state agencies and political subdivisions. *See*, Ins. Code § 11870. SCIF has been  
2 victimized for hundreds of millions of dollars by Defendants.

3 8. Moreover, the same scheme has been perpetrated on patients whose  
4 surgeries were paid for by Medi-Cal – California’s safety net for individuals unable to  
5 afford health insurance. Medi-Cal is intended to provide essential care for California’s  
6 growing indigent population, but its funds are presently stretched to their limit. Medi-Cal  
7 has been subject to fraud and abuse by unscrupulous providers and others involved in the  
8 healthcare system, including Defendants in this case, who put profits above the public  
9 welfare. These unlawful schemes have threatened to diminish the quality of care,  
10 substantially burdened taxpayers, and degraded the medical profession.

11 **II. OVERVIEW OF THE UNLAWFUL SCHEME AND CONSPIRACY**

12 9. Recognizing the potential for extremely lucrative reimbursements from  
13 workers’ compensation carriers, Medi-Cal and private insurers, hospitals – including the  
14 Defendant Hospitals named herein – have entered into contracts with third-party  
15 “marketers” to steer **spinal surgery patients** to the hospitals.

16 10. **Hospital “marketers,”** including Defendants Paul Randall and Michael  
17 “Mic” McGrath, are paid substantial sums of money by Defendant Hospitals to deliver  
18 spinal fusion patients for surgery. For example, Tri-City paid Mic McGrath \$20,000 a  
19 month to steer spinal cases to Defendant Tri-City Hospital.

20 11. **Chiropractors** are paid **illegal kickbacks** by the “marketers” for referring  
21 patients to the Defendant Hospitals for spinal fusion surgeries. The “marketers” establish  
22 networks of loyal chiropractors who receive handsome rewards for sending patients to  
23 particular hospitals.

24 12. **Doctors**, in addition to chiropractors, are also paid **illegal kickbacks** by  
25 “marketers” for referring patients to the Defendant Hospitals for spinal fusion surgeries.  
26 These lower-level doctors refer patients for surgery to particular surgeons and hospitals in  
27 return for illegal kickbacks.

28 13. **Defendant Hospitals** have full knowledge that these “marketers” have

1 egregiously targeted unsophisticated Latino workers from across California. Over the  
2 past decade, at least 550 workers from the San Joaquin Valley have had spinal fusion  
3 surgeries at either Tri-City Regional Medical Center or Pacific Hospital of Long Beach.  
4 In addition to the illegal kickbacks described above, the “marketers” also paid illegal  
5 kickbacks to doctors to recruit them to perform spinal fusion surgeries at the Defendant  
6 Hospitals.

7       14. **Implant hardware** is used in all **spinal fusion surgeries**. Many of the  
8 same marketers and other unscrupulous operators, including Defendants Paul Randall,  
9 Michael Drobot and Roger Williams, have established spinal hardware distributorships.  
10 **The Defendant Distributors pay unlawful kickbacks to the surgeons to induce them**  
11 **to purchase their implant hardware**. The Distributors then sell the implant hardware to  
12 the Defendant Hospitals at grossly inflated prices.

13       15. Moreover, **several of the Defendants named herein manufacture and/or**  
14 **knowingly utilize counterfeit screws and rods in the spinal implant hardware sold to**  
15 **hospitals**. This is done with the Defendant Hospitals’ knowledge or reckless disregard  
16 for the truth. The proceeds from these unlawful, counterfeit and inflated sales are used to  
17 further the kickback schemes alleged herein.

18       16. The Defendant Hospitals have full knowledge that surgeons are using the  
19 counterfeit screws and rods in spinal fusion surgeries and are in turn billing workers’  
20 compensation carriers, Medi-Cal and private insurers at even further inflated prices. **This**  
21 **scheme has bilked SCIF, insurers and Medi-Cal out of hundreds of millions of**  
22 **dollars**. It has also led to patients receiving dangerous medical implants that have a  
23 substantial likelihood of failure. Even worse, many patients received inflated spinal  
24 fusion surgeries with counterfeit screws that were not even medically necessary in the  
25 first place.

26 **III. JURISDICTION AND VENUE**

27       17. This Court has jurisdiction over the claims in this Complaint pursuant to  
28 California Insurance Code § 1871.7 (the “California Insurance Frauds Prevention Act”)

1 and the California Government Code § 12652 (the “California False Claims Act”).

2 18. All of the entities named in this Complaint are organized under the laws of  
3 California and conduct substantial business within the State of California, as well as  
4 maintain employees and offices within the State. Each entity named herein makes sales  
5 within California. The entities’ unlawful, false and/or fraudulent conduct took place  
6 within the State of California.

7 19. All of the individuals named in this Complaint reside in the State of  
8 California. Their unlawful, false and/or fraudulent conduct took place within the State of  
9 California.

10 20. Venue in the County of Sacramento is appropriate pursuant to the  
11 California Insurance Frauds Prevent Act and the California False Claims Act. *Qui Tam*  
12 Plaintiffs bring this action to recover unlawful, false and/or fraudulent claims on behalf of  
13 the California Department of Insurance, the State Compensation Insurance Fund and  
14 Medi-Cal. These state agencies, as well as their special investigative units, are located in  
15 the County of Sacramento. Moreover, any recovery achieved under these statutes is  
16 returned to the State of California and the appropriate public agency.

17 **IV. PARTIES**

18 **A. Qui Tam Plaintiffs**

19 21. The Plaintiff in this action is the State of California, by and through *Qui*  
20 *Tam* Plaintiffs **Mark Sersansie** and **William Reynolds**, pursuant to Insurance Code §  
21 1871.7(e)(1) and California Government Code § 12652.

22 22. *Qui Tam* Plaintiff **Mark Sersansie** is an individual and former employee of  
23 Defendant Platinum Medical, an entity owned and controlled by Defendants Paul Randall  
24 and Christine Hernandez. *Qui Tam* Plaintiff Sersansie is an “original source” as that term  
25 is defined, and he has direct and independent knowledge of the information on which  
26 these allegations are based. The facts alleged in this Complaint are based entirely upon  
27 his personal observation, investigation, documents and tangible things in his possession,  
28 as well as the observations, investigation, documents and tangible things in the possession

1 of Mr. Reynolds.

2 23. *Qui Tam* Plaintiff **William Reynolds** is an individual and former employee  
3 of two workers' compensation carriers in California. *Qui Tam* Plaintiff Reynolds is an  
4 "original source" as that term is defined, and he has direct and independent knowledge of  
5 the information on which these allegations are based. The facts alleged in this Complaint  
6 are based entirely upon his personal observation, investigation, documents and tangible  
7 things in his possession, as well as the observations, investigation, documents and  
8 tangible things in the possession of Mr. Sersansie.

9 24. *Qui Tam* Plaintiffs have provided the Attorney General's office, the district  
10 attorney, and the insurance commissioner of California with a full disclosure of  
11 substantially all material facts, as required by Cal. Ins. Code § 1871.7(e)(2), and  
12 Government Code § 12652.

13 **B. Defendant Hospitals**

14 25. Defendant **Gardens Regional Hospital and Medical Center, Inc.**, doing  
15 business as "**Tri-City Regional Medical Center**" ("Tri-City") is a "non-profit" hospital  
16 located at 21530 Pioneer Boulevard, Hawaiian Gardens, California 90716. It is a 107-bed  
17 facility situated just south of Los Angeles near Long Beach. Hawaiian Gardens is a  
18 small, low-income city in Los Angeles County with approximately 15,000 residents,  
19 consisting mostly of Latinos.

20 26. Defendant Tri-City has rapidly developed a thriving business performing  
21 spinal fusion surgeries, mostly on workers' compensation patients. In 2007, the hospital  
22 performed just \$3 million in spinal fusion surgeries. **By 2010, as a result of the**  
23 **unlawful scheme described herein, Defendant Tri-City performed \$65 million in**  
24 **spinal surgeries on behalf of workers' compensation patients.** Tri-City has entered  
25 into marketing agreements with Defendants Paul Randall, "Mic" McGrath and other  
26 unnamed coconspirators. These marketing agreements have paid Defendants as much as  
27 \$100,000 a month to unlawfully steer spinal surgery patients to the hospital. Tri-City paid  
28 Defendant Paul Randall more than \$3.2 million between 2008 and 2011 to perform

1 “marketing” services for the hospital.

2 27. Tri-City has knowingly and unlawfully (a) employed runners, cappers,  
3 steerers or other persons for the purpose of obtaining patients (b) inflated the cost of  
4 spinal surgeries and hardware billed to workers’ compensation carriers, SCIF, Medi-Cal  
5 and private insurers, (c) aided and abetted, as well as permitted, the kickback schemes  
6 described herein, (d) billed insurance carriers, including SCIF, Medi-Cal and others,  
7 grossly inflated prices for counterfeit screws and rods used in the spinal implant systems,  
8 and (e) billed insurance carriers for spinal fusion surgeries that were not medically  
9 necessary.

10 28. Defendant **South Bay Hospital Management Company LLC** (“South  
11 Bay”) is located at 12401 Wilshire Boulevard, Ste. 200, Los Angeles, California 90025.  
12 Defendant South Bay operates as a “management company” for Defendant Tri-City. The  
13 LLC is comprised of three managers: (a) Southern California Vital Solutions, Inc., (b)  
14 S&W Health Management Services, Inc., and (c) the Serrano Management Group.  
15 Southern California Vital Solutions, Inc. is owned and controlled by Dr. Glenn Marshak.  
16 S&W Health Management Services, Inc. is owned and controlled by Defendant Beryl  
17 Weiner, Esq. The Serrano Management Group is owned and controlled by the former  
18 CEO of Defendant Tri-City, Arthur Gerrick. Defendant South Bay is being used as part  
19 of the scheme alleged herein. Profits from unlawful billing for spinal fusion surgeries  
20 and hardware is funneled and laundered through Defendant South Bay.

21 29. Defendant South Bay has knowingly and unlawfully conspired to (a)  
22 employ runners, cappers, steerers or other persons for the purpose of obtaining patients  
23 (b) inflate the cost of spinal surgeries and hardware billed to workers’ compensation  
24 carriers, SCIF, Medi-Cal and private insurers, (c) aid and abet, as well as permit, the  
25 kickback schemes described herein, (d) bill insurance carriers, including SCIF, Medi-Cal  
26 and others, grossly inflated prices for counterfeit screws and rods used in the spinal  
27 implant systems, and (e) bill insurance carriers for spinal fusion surgeries that were not  
28 medically necessary. Defendant South Bay and its managers, specifically Defendant

1 Beryl Weiner, have retained the ill-gotten gains from this unlawful scheme.

2 30. Defendant **Healthsmart Pacific, Inc.**, doing business as “**Pacific Hospital**  
3 **of Long Beach**” (“Pacific Hospital”) is located at 2776 Pacific Avenue, Long Beach,  
4 California 90806. The hospital is owned and controlled by Defendant Michael Drobot,  
5 where he is also its Chief Executive Officer. Pacific Hospital is managed by West Coast  
6 Surgery Center Management, Inc., another company owned and operated by Defendant  
7 Michael Drobot.

8 31. Drobot purchased the hospital in 1997 and immediately shifted its focus to  
9 spinal care for workers’ compensation patients. After he purchased it, the hospital  
10 quickly became one of the most prolific spinal surgery hospitals in all of California. In  
11 the year prior to taking over the hospital, Pacific performed just 162 spinal fusion  
12 surgeries. After Defendant Drobot took over, it performed 477 in the subsequent year.  
13 According to hospital discharge data, between 2001 and 2010, it performed 5,138 spinal  
14 fusion surgeries for workers’ compensation patients. **Pacific Hospital billed \$533**  
15 **million for these surgeries - three times as much as any other hospital in California**  
16 **for the same period of time, including much larger hospitals.** The hospital also  
17 entered into expensive “marketing” arrangements with Defendant Paul Randall and  
18 others. As of August 2011, Randall entered into a \$100,000 per month agreement with  
19 Defendant Drobot to steer patients and doctors to hospitals that use Defendant Drobot’s  
20 implants, including Pacific Hospital.

21 32. Defendant Pacific Hospital has knowingly and unlawfully (a) employed  
22 runners, cappers, steerers or other persons for the purpose of obtaining patients, (b)  
23 inflated the cost of spinal surgeries and hardware billed to workers’ compensation  
24 carriers, SCIF, Medi-Cal and private insurers, (c) aided and abetted, as well as permitted,  
25 the kickback schemes described herein, (d) billed insurance carriers, including SCIF,  
26 Medi-Cal and others, grossly inflated prices for counterfeit screws and rods used in the  
27 spinal implant systems, and (e) billed insurance carriers for spinal fusion surgeries that  
28 were not medically necessary. Moreover, the hospital’s Chief Executive Officer and

1 owner, Michael Drobot, is a central character in this conspiracy.

2 33. Defendant **Riverside Healthcare System, L.P.**, doing business as  
3 **"Riverside Community Hospital"** ("Riverside Hospital") is located at 4445 Magnolia  
4 Avenue, Riverside, California 92521. This hospital has 6,354 inpatient surgeries per year  
5 and 2,509 outpatient surgeries per year. Defendant Riverside Hospital has knowingly and  
6 unlawfully (a) employed runners, cappers, steerers or other persons for the purpose of  
7 obtaining patients, (b) aided and abetted, as well as permitted, the kickback schemes  
8 described herein, and (c) billed insurance carriers, including SCIF, Medi-Cal and others,  
9 grossly inflated prices for counterfeit screws and rods used in the spinal implant systems.

10 34. Defendant **St. Bernardine Medical Center** ("St. Bernardine") is a member  
11 of Catholic Healthcare West ("CHW"). The hospital has knowingly and unlawfully (a)  
12 employed runners, cappers, steerers or other persons for the purpose of obtaining patients,  
13 (b) aided and abetted, as well as permitted, the kickback schemes described herein, and  
14 (c) billed insurance carriers, including SCIF, Medi-Cal and others, grossly inflated prices  
15 for counterfeit screws used in the spinal implant systems.

16 35. Above are just a few of the hospitals *Qui Tam* Plaintiffs know are involved  
17 in the schemes alleged herein. *Qui Tam* Plaintiffs are ignorant of the names and  
18 capacities of additional Defendant Hospitals sued herein as DOES 1 through 10,  
19 inclusive, and therefore sue such Defendants by fictitious names pursuant to California  
20 Code of Civil Procedure § 474. *Qui Tam* Plaintiffs will amend this Complaint to allege  
21 the true names and capacities of the fictitiously named Defendants once they are  
22 ascertained.

23 **C. Defendant Distributors and Marketers**

24 36. Defendant **Spinal Solutions, LLC** ("Spinal Solutions") is located at 26157  
25 Jefferson Avenue, Murrieta, California 92562. Spinal Solutions is a medical-implant  
26 distributorship owned and operated by Defendants Roger Williams and Mary Williams.  
27 Defendants Spinal Solutions and Roger Williams have been engaged in a scheme to  
28 manufacture and sell to the Defendant Hospitals counterfeit "pedicle screw systems" and



1 rods, used in spinal fusion surgeries. Spinal Solutions also had marketing agreements  
2 with Defendants Paul Randall and “Mic” McGrath and worked together to perpetrate this  
3 unlawful scheme. To further Spinal Solutions’ unlawful scheme, Defendant Roger  
4 Williams flew doctors on his private plane to foreign countries and other vacation  
5 destinations. These trips also provided Defendant Spinal Solutions with “cover” for  
6 carrying out its unlawful counterfeiting scheme.

7       37. ***Qui Tam* Plaintiffs are in possession of documents demonstrating that**  
8 **Spinal Solutions and Roger Williams paid unlawful kickbacks to doctors for**  
9 **choosing their spinal implant systems.** Defendant Spinal Solutions has knowingly and  
10 unlawfully (a) inflated the price of its spinal implant systems sold to Defendant Hospitals,  
11 (b) engaged in a scheme to manufacture and/or utilize counterfeit screws and rods in  
12 spinal fusion surgeries sold to hospitals, (c) engaged in the kickback schemes alleged  
13 herein, and (d) caused insurance carriers, including SCIF, Medi-Cal and others, to be  
14 billed grossly inflated prices for counterfeit screws and rods used in its spinal implant  
15 system.

16       38. Defendant **International Implants, LLC** (“International Implants”) is  
17 located at 20377 SW Acacia Street, Suite 110, Newport Beach, California 92660.  
18 Defendant Michael Drobot also owns and controls this entity. International Implants has  
19 provided various hospitals, including Defendant Pacific Hospital, with spinal implant  
20 hardware.

21       39. International Implants has knowingly manufactured, caused to be  
22 manufactured or knowingly utilized counterfeit screws in its spinal implant systems  
23 intended to be sold to hospitals and billed to insurance carriers. Between the years of  
24 2004 and 2008, International Implants purchased counterfeit screws and implant systems  
25 from Defendant Spinal Solutions and later resold those systems to hospitals. International  
26 Implants has knowingly and unlawfully (a) inflated the price of its spinal implant systems  
27 sold to hospitals, (b) engaged in the kickback schemes described herein, and (c) caused  
28 insurance carriers, including SCIF, Medi-Cal and others, to be billed grossly inflated

1 prices for counterfeit screws and rods used in the spinal implant systems.

2 40. Defendant **C.I.O.S., Inc.**, (**Comprehensive Intra-Operative Services,**  
3 **Inc.**) is located at 9980 Indiana Avenue, #3, Riverside, California 92503. C.I.O.S. is  
4 owned and operated by Defendant Michael "Mic" McGrath. Defendant Mic McGrath has  
5 had marketing agreements with Defendants Tri-City, Pacific Hospital, Riverside Hospital,  
6 Michael Drobot and Roger Williams, among others. ***Qui Tam* Plaintiff is also in**  
7 **possession of documents showing unlawful kickback invoices from doctors to**  
8 **C.I.O.S.**, and kickback payments from C.I.O.S. to doctors in accordance with those  
9 invoices.

10 41. C.I.O.S. has knowingly and unlawfully (a) agreed to serve as a runner,  
11 capper, steerer or other person for the purpose of obtaining patients for Defendant  
12 Hospitals, (b) engaged in a scheme to provide kickbacks to doctors performing spinal  
13 surgeries, (c) engaged in a scheme to inflate the cost of spinal fusion hardware sold to  
14 hospitals and billed to insurers, and (d) caused insurance carriers, including SCIF, Medi-  
15 Cal and others, to be billed grossly inflated prices for counterfeit screws and rods used in  
16 the spinal implant systems.

17 42. Defendant **Summit Medical Equipment, Inc.** ("Summit") is located at  
18 21520 Pioneer Boulevard, Suite 203, Hawaiian Gardens, California 90716. It is located  
19 in the same complex as Defendant Tri-City. It is also located at the same address and  
20 suite as Defendant Platinum Medical. Both Defendants Summit and Platinum Medical  
21 are owned and operated by Defendants Paul Randall and Christine Hernandez. Paul  
22 Randall and Christine Hernandez use various corporate shells to perpetrate the schemes  
23 alleged herein. **Defendant Summit recruited doctors and chiropractors to refer**  
24 **workers' compensation patients for spinal surgeries at Defendant Tri-City and other**  
25 **hospitals by paying them unlawful kickbacks of \$15,000 and \$20,000 per surgery.**  
26 Defendant Summit also purchased and resold spinal surgery implant hardware to be used  
27 in surgeries at Defendant Tri-City and other hospitals. In many cases, the spinal implant  
28 hardware was counterfeit.

1           43. Defendant Summit Medical Group has knowingly and unlawfully (a) agreed  
2 to serve as a runner, capper, steerer or other person for the purpose of obtaining patients  
3 for Defendant Hospitals, (b) inflated the cost of spinal surgery hardware billed to  
4 hospitals, (c) engaged in a scheme to use the profits from the inflated hardware to pay  
5 kickbacks to doctors who refer spinal surgery cases to Defendant Hospitals, and (d)  
6 caused insurance carriers, including SCIF, Medi-Cal and others, to be billed grossly  
7 inflated prices for counterfeit screws and rods used in the spinal implant systems.

8           44. Defendant **Platinum Medical Group, Inc.** ("Platinum") is located at 21520  
9 Pioneer Boulevard, Suite 203, Hawaiian Gardens, California 90716. It is located in the  
10 same complex as Defendant Tri-City. It is also located at the same address and suite as  
11 Defendant Summit. Both Summit and Platinum are owned and operated by Defendants  
12 Paul Randall and Christine Hernandez. *Qui Tam* Plaintiff Sersansie was employed for a  
13 period of time by Defendant Platinum. **Defendant Platinum recruited doctors and**  
14 **chiropractors to refer workers' compensation patients for spinal surgeries at**  
15 **Defendant Tri-City and other hospitals by paying them unlawful kickbacks of**  
16 **\$15,000 and \$20,000 per surgery.** It also purchased and resold spinal surgery implant  
17 hardware to be used in surgeries at Defendant Tri-City and other hospitals. In many  
18 cases, the spinal implant hardware was counterfeit.

19           45. Defendant Platinum has knowingly and unlawfully (a) agreed to serve as a  
20 runner, capper, steerer or other person for the purpose of obtaining patients for Defendant  
21 Hospitals, (b) inflated the cost of spinal surgery hardware billed to hospitals, (c) engaged  
22 in a scheme to use the profits from the inflated hardware to pay kickbacks to doctors who  
23 refer spinal surgery cases to Defendant Hospitals, and (d) caused insurance carriers,  
24 including SCIF, Medi-Cal and others, to be billed grossly inflated prices for counterfeit  
25 screws and rods used in the spinal implant systems.

26           46. Above are just a few of the distributors and marketers *Qui Tam* Plaintiffs  
27 know are involved in the schemes alleged herein. *Qui Tam* Plaintiffs are ignorant of the  
28 names and capacities of additional Defendant Distributors and Marketers sued herein as

1 DOES 11 through 20, inclusive, and therefore sue such Defendants by fictitious names  
2 pursuant to California Code of Civil Procedure section 474. *Qui Tam* Plaintiffs will  
3 amend this Complaint to allege the true names and capacities of the fictitiously named  
4 Defendants once they are ascertained.

5 **D. Defendant Counterfeit Manufacturer**

6 47. Defendant **Crowder Machine & Tool Shop** is a machine and  
7 manufacturing shop located at 43339 Business Park Dr., #108, Temecula, California  
8 92590. Defendants Spinal Solutions and Roger Williams hired Crowder Machine & Tool  
9 Shop to knowingly manufacturer counterfeit, non-FDA approved pedicle screws and rods  
10 to be used in spinal fusion surgeries. Defendant Crowder knowingly and unlawfully  
11 conspired to cause insurance carriers to be billed at grossly inflated prices for counterfeit  
12 screws and rods used in the spinal fusion surgeries.

13 48. Above is just one of the counterfeit manufacturers involved in the schemes  
14 alleged herein and known to *Qui Tam* Plaintiffs. *Qui Tam* Plaintiffs are ignorant of the  
15 names and capacities of additional Defendant Counterfeit Manufacturers sued herein as  
16 DOES 21 through 30, inclusive, and therefore sue such Defendants by fictitious names  
17 pursuant to California Code of Civil Procedure section 474. *Qui Tam* Plaintiffs will  
18 amend this Complaint to allege the true names and capacities of the fictitiously named  
19 Defendants once they are ascertained.

20 **E. Defendant Surgeons**

21 49. Defendant **Jack Akmakjian, M.D.**, is a spinal fusion surgeon performing  
22 surgeries in the Southern California region. Dr. Akmakjian's principal place of business  
23 is the Spine and General Orthopaedics Center, located at 7300 Magnolia Drive, Riverside,  
24 California 92504. Dr. Akmakjian, however, also performs spinal fusion surgeries at the  
25 Defendant Hospitals. Dr. Akmakjian has entered into sham "consulting" agreements with  
26 Defendants C.I.O.S., Spinal Solutions and others. The actual purpose of these sham  
27 "consulting" agreements is to provide him with illegal kickbacks for performing spinal  
28 fusion surgeries at Defendant Hospitals **and for choosing implant hardware from the**

1 **Defendant Distributors.**

2 50. Defendant **G. Sunny Uppal, M.D.**, is a spinal fusion surgeon performing  
3 surgeries in the Southern California region. Dr. Uppal's principal place of business is the  
4 Orthopaedic Medical Group of Riverside, Inc., located at 6800 Brockton Avenue,  
5 Riverside, California 92506. Dr. Uppal, however, also performs spinal fusion surgeries at  
6 the Defendant Hospitals. Dr. Uppal has also entered into sham "consulting" agreements  
7 with Defendants C.I.O.S., Spinal Solutions and others. The actual purpose of these sham  
8 "consulting" agreements is to provide him with illegal kickbacks for performing spinal  
9 fusion surgeries at Defendant Hospitals **and for choosing implant hardware from the**

10 **Defendant Distributors.**

11 51. Defendant **Joseph Vanderlinden, M.D.**, is a surgeon who performs spinal  
12 fusion surgeries. His principal place of business is located at 399 E. Highland Avenue,  
13 Suite 319, San Bernardino, California 92404. Dr. Vanderlinden has accepted illegal  
14 kickbacks for performing spinal fusion surgeries at Defendant Hospitals **and for**  
15 **choosing implant hardware from the Defendant Distributors.**

16 52. Defendant **Edward C. Kolpin, M.D.** is a spinal fusion surgeon performing  
17 operations at both Defendant Tri-City and Defendant Pacific Hospital. Dr. Koplun has  
18 received illegal kickbacks for performing spinal fusion surgeries at Defendant Hospitals  
19 **and for choosing implant hardware from the Defendant Distributors.**

20 53. Above are just a few of the doctors *Qui Tam* Plaintiffs know are involved in  
21 the schemes alleged herein. *Qui Tam* Plaintiffs are ignorant of the names and capacities  
22 of additional Defendant Surgeons sued herein as DOES 31 through 40, inclusive, and  
23 therefore sue such Defendants by fictitious names pursuant to California Code of Civil  
24 Procedure section 474. *Qui Tam* Plaintiffs will amend this Complaint to allege the true  
25 names and capacities of the fictitiously named Defendants once they are ascertained.

26 **F. Defendant Chiropractors and Doctors**

27 54. Defendant **Healthpointe Medical Group, Inc.** ("Healthpointe") owns a  
28 network of clinics in Southern California, and is controlled and operated by Ismael Silva,

1 M.D. Healthpointe and Silva were paid approximately \$1.8 million by Michael Drobot of  
2 Pacific Hospital and International Implants in exchange for the referral of patients for  
3 spinal surgeries.

4 55. Defendant **Jeffrey S. Catanzarite, D.C.** is a practitioner located in Costa  
5 Mesa, California. Catanzarite was paid approximately \$1.7 million in 2007 by Michael  
6 Drobot of Pacific Hospital and International Implants in exchange for the referral of  
7 patients for spinal surgeries.

8 56. Above are just a few of the chiropractors and doctors *Qui Tam* Plaintiffs  
9 know are involved in the schemes alleged herein. *Qui Tam* Plaintiffs are ignorant of the  
10 names and capacities of additional Defendant Surgeons sued herein as DOES 41 through  
11 50, inclusive, and therefore sue such Defendants by fictitious names pursuant to  
12 California Code of Civil Procedure section 474. *Qui Tam* Plaintiffs will amend this  
13 Complaint to allege the true names and capacities of the fictitiously named Defendants  
14 once they are ascertained.

15 **G. Individual Defendants**

16 57. Defendant **Michael Drobot** is an individual residing in the State of  
17 California. Drobot owns and operates Defendants Pacific Hospital and International  
18 Implants. In addition to these entities, Defendant Drobot has interests in, or owns, several  
19 other companies providing services to workers' compensation patients. Some of Drobot's  
20 businesses include, a van service to shuttle workers' compensation patients, a provider of  
21 Spanish interpretation services, and distributors of spinal implant hardware. His hospital,  
22 Pacific Hospital, has been one of the most prolific in performing spinal fusion surgeries.

23 58. Defendant Drobot has knowingly and unlawfully (a) employed runners,  
24 cappers, steerers or other persons for the purpose of obtaining patients, (b) inflated the  
25 cost of spinal surgeries and hardware billed to workers' compensation carriers, Medi-Cal  
26 and private insurers, (c) engaged in, aided and abetted, as well as permitted, the kickback  
27 schemes described herein, (d) billed insurance carriers, including SCIF, Medi-Cal and  
28 others, grossly inflated prices for counterfeit screws and rods used in the spinal implant

1 systems, and (e) billed insurance carriers for spinal fusion surgeries that were not  
2 medically necessary.

3 59. Defendant **Michael “Mic” McGrath** is an individual residing in the State  
4 of California. Defendant McGrath owns and operates Defendant C.I.O.S., Inc.  
5 Defendant McGrath has entered into several lucrative “marketing” arrangements with  
6 Defendants Tri-City, Pacific Hospital, Spinal Solutions and others. Pursuant to these  
7 arrangements, Defendant McGrath steered spinal surgery patients to Defendant Hospitals.

8 60. Defendant McGrath has knowingly and unlawfully (a) agreed to act as a  
9 runner, capper, steerer or other person for the purpose of obtaining patients for Defendant  
10 Hospitals, (b) engaged in a scheme to provide kickbacks to doctors performing spinal  
11 surgeries, (c) inflated the cost of spinal surgeries and hardware billed to workers’  
12 compensation carriers, Medi-Cal and private insurers, and (d) knowingly caused  
13 insurance carriers, including SCIF, Medi-Cal and others, to be billed grossly inflated  
14 prices for counterfeit screws and rods used in the spinal implant systems.

15 61. Defendant **Paul Randall** is an individual residing in the State of California.  
16 Defendant Randall owns and operates Defendants Summit and Platinum, along with  
17 Defendant Christine Hernandez. Defendant Randall is a central character in this  
18 conspiracy. In 1993, Defendant Randall was convicted of racketeering and served a 21-  
19 month term in federal prison. He was convicted of a felony for deals that involved buying  
20 wooden shipping pallets on credit and reselling them without paying the original vendors.  
21 Initially, after serving time in federal prison, Defendant Randall went into business with  
22 Defendant Drobot. During that period, he steered spinal patients and surgeons to  
23 Defendants Drobot and Pacific Hospital.

24 62. In 2008, Defendant Randall focused his attention on steering spinal patients  
25 to Defendant Tri-City. He recruited many of the same spinal surgeons from Defendant  
26 Pacific Hospital to Tri-City. **More importantly, he recruited a network of loyal lower-**  
27 **level doctors and chiropractors who would refer spinal cases to Defendant Hospitals**  
28 **in return for illegal kickbacks. He paid chiropractors and physicians kickbacks of**

1 **approximately \$15,000 and \$20,000 for a spinal fusion referral.**

2 63. Defendant Randall also formed spinal implant distributorships, which  
3 purchased hardware and resold it to Defendant Tri-City and other hospitals at grossly  
4 inflated prices. Much of the hardware sold to hospitals included counterfeit screws.  
5 Defendant Tri-City paid Randall approximately \$3.2 million in “marketing” fees between  
6 2008 and July 2011.

7 64. Defendant Randall has knowingly and unlawfully (a) agreed to act as a  
8 runner, capper, steerer or other person for the purpose of obtaining patients for Defendant  
9 Hospitals, (b) inflated the cost of spinal surgery hardware billed to Defendant Hospitals,  
10 (c) engaged in a scheme to use the profits from the inflated hardware to pay kickbacks to  
11 doctors who refer spinal surgery cases to Defendant Hospitals, and (d) caused insurance  
12 carriers, including SCIF, Medi-Cal and others, to be billed grossly inflated prices for  
13 counterfeit screws and rods used in the spinal implant systems.

14 65. Defendant **Christine Hernandez** is an individual residing in the State of  
15 California. On information and belief, Defendant Randall used Defendant Hernandez as  
16 the “figurehead” for his sham corporations and entities. Defendant Hernandez, along  
17 with Randall, controlled Defendants Summit and Platinum. Defendant Hernandez has  
18 knowingly and unlawfully (a) agreed to act as a runner, capper, steerer or other person for  
19 the purpose of obtaining patients for Defendant Hospitals, (b) inflated the cost of spinal  
20 surgery hardware billed to Defendant Hospitals, (c) engaged in a scheme to use the profits  
21 from the inflated hardware to pay kickbacks to doctors who refer spinal surgery cases to  
22 Defendant Hospitals, and (d) caused insurance carriers, including SCIF, Medi-Cal and  
23 others, to be billed grossly inflated prices for counterfeit screws and rods used in the  
24 spinal implant systems.

25 66. Defendant **Roger Williams** is an individual residing in the State of  
26 California. Williams owns and operates Defendant Spinal Solutions, LLC. During the  
27 period relevant to this Complaint, he has engaged in a scheme to manufacturer and sell to  
28 the Defendant Hospitals counterfeit “pedicle screw systems” and rods used in spinal



1 fusion surgeries. Defendant Williams hired a machinist in the Temecula area named  
2 William Crowder from Crowder Machine & Tool Shop to manufacture counterfeit screws  
3 and rods. Williams' purpose was to then bill the counterfeit screws and rods to the  
4 Defendant Hospitals (and in turn, insurance carriers) as if they were the actual, FDA-  
5 approved screws. Employees at Crowder Machine & Tool Shop have confirmed to *Qui*  
6 *Tam* Plaintiffs that they manufactured counterfeit screws for Defendants Spinal Solutions  
7 and Williams. Defendant Williams has knowingly and unlawfully (a) inflated the price of  
8 its spinal implant systems sold to hospitals, (b) engaged in a scheme to manufacture  
9 and/or utilize counterfeit screws used in spinal fusion surgeries, (c) engaged in the  
10 kickback schemes alleged herein, and (d) caused insurance carriers, including SCIF,  
11 Medi-Cal and others, to be billed grossly inflated prices for counterfeit screws and rods  
12 used in spinal implant systems.

13         67. Defendant **Beryl Weiner** is an attorney with the law firm of Selvin &  
14 Weiner, APC. His principal place of business is located at 12401 Wilshire Boulevard,  
15 2nd Floor, Los Angeles, California 90025. Defendant Weiner has acted as the General  
16 Counsel of Defendant Tri-City for a number of years. In addition to his role as General  
17 Counsel, Defendant Weiner has served as an Executive at Defendant Tri-City. Defendant  
18 Weiner conspired with Defendant Tri-City to establish Defendant South Bay Hospital  
19 Management Company LLC. Defendant Weiner has knowingly used Defendant South  
20 Bay as a means to funnel and siphon-off unlawful profits from Defendant Tri-City arising  
21 from unlawful billings for spinal fusion surgeries and hardware.

22         68. Defendant Weiner has knowingly and unlawfully conspired to (a) employ  
23 runners, cappers, steerers or other persons for the purpose of obtaining patients for  
24 Defendant Tri-City, (b) inflate the cost of spinal surgeries and hardware billed to workers'  
25 compensation carriers, SCIF, Medi-Cal and private insurers, (c) aid and abet, as well as  
26 permit, the kickback schemes described herein, (d) cause insurance carriers, including  
27 SCIF, Medi-Cal and others, to be billed at grossly inflated prices for counterfeit screws  
28 and rods used in spinal implant systems, and (e) bill insurance carriers for spinal fusion

1 surgeries that were not medically necessary.

2           69. Defendant **William Crowder** is an individual residing in the State of  
3 California. He is the owner and proprietor of Defendant Crowder Machine & Tool Shop  
4 in Temecula, California. At the behest of Spinal Solutions and Roger Williams, Crowder  
5 knowingly manufactured non-FDA approved, counterfeit pedicle screws and rods to be  
6 used in spinal fusion surgeries. Defendant Crowder knowingly and unlawfully conspired  
7 to cause insurance carriers to be billed at grossly inflated prices for counterfeit screws and  
8 rods used in the spinal fusion surgeries.

9           70. Defendant **Mary Williams** is an individual residing in the State of  
10 California. She is the wife of Defendant Roger Williams. Mrs. Williams assisted in the  
11 day-to-day operation of Defendant Spinal Solutions. She was responsible for billing and  
12 collections.

13           71. Defendant Williams knowingly and unlawfully (a) inflated the price of its  
14 spinal implant systems sold to hospitals, (b) engaged in a scheme to manufacture and/or  
15 utilize counterfeit screws and rods used in spinal fusion surgeries, (c) engaged in the  
16 kickback schemes alleged herein, and (d) caused insurance carriers, including SCIF,  
17 Medi-Cal and others, to be billed grossly inflated prices for counterfeit screws and rods  
18 used in spinal implant systems.

19           72. Above are just a few of the individuals *Qui Tam* Plaintiffs know are  
20 involved in the schemes alleged herein. *Qui Tam* Plaintiffs are ignorant of the names and  
21 capacities of additional individuals sued herein as DOES 51 through 60, inclusive, and  
22 therefore sue such Defendants by fictitious names pursuant to California Code of Civil  
23 Procedure § 474. *Qui Tam* Plaintiffs will amend this Complaint to allege the true names  
24 and capacities of the fictitiously named Defendants once they are ascertained.

25 **V. THE STATUTORY SCHEMES IMPLICATED IN THIS CONSPIRACY**

26 **A. The Employment of Runners, Cappers, Steerers or Other Persons for**  
27 **the Purpose of Procuring Patients is Unlawful**

28           73. Pursuant to California Insurance Code § 1871.7(a), it is “unlawful to

1 knowingly employ runners, cappers, steerers or other persons to procure clients or  
2 patients to perform or obtain services or benefits pursuant to [the California Workers  
3 Compensation System] or to procure clients or patients to perform or obtain services or  
4 benefits under a contract of insurance or that will be the basis of a claim against an  
5 insured individual or his or her insurer.”

6 74. Any person or entity that violates § 1871.7(a) is subject to a civil penalty of  
7 up to \$10,000 for each claim submitted to an insurer for payment. The person or entity is  
8 also subject to treble damages for the amount of the claim for compensation billed to the  
9 insurer. The Court may also grant equitable relief to protect the public. *See*, Cal. Ins.  
10 Code § 1871.7(b).

11 **B. The Use of Kickbacks to Chiropractors and Doctors for (a) Referring**  
12 **Patients for Spinal Surgery, (b) Performing Surgeries at Particular**  
13 **Hospitals, and (c) Purchasing Certain Surgical Implant Hardware is**  
14 **Unlawful**

15 75. California Business & Professions Code § 650 prohibits doctors and  
16 chiropractors from receiving kickbacks for referring patients and/or receiving financial  
17 incentives from medical implant makers or distributors to use their products in surgeries.

18 76. California Labor Code § 3215 similarly prohibits persons from receiving  
19 kickbacks for referring patients or engaging in other acts, such as performing surgeries at  
20 particular hospitals or choosing particular medical implant hardware in the workers’  
21 compensation context. *See also*, Cal. Lab. Code § 3820. Cal. Ins. Code § 754 makes the  
22 same conduct generally unlawful when billed to any private insurer.

23 77. The American Medical Association’s (the “AMA”) Code of Medical Ethics  
24 strictly prohibits doctors from accepting “any kind of payment or compensation from a  
25 drug company or device manufacturer for prescribing its products . . . *Physicians should*  
26 *not be influenced in the prescribing of . . . devices, or appliances by a direct or indirect*  
27 *financial interest in a firm or other supplier, regardless of whether the firm is a*  
28 *manufacturer, distributor, wholesaler, or repackager of the products involved.” See,*

1 AMA Code of Medical Ethics, Opinion 8.06.

2 **C. Inflating the Cost of Medical Implant Hardware Above 10% or \$250 of**  
3 **the “Documented Paid Cost” is Unlawful**

4 78. Under the California Workers’ Compensation System, the generally  
5 applicable reimbursement that medical providers may seek for certain procedures or items  
6 is 120% of the Medicare reimbursement rate. Cal. Lab. Code § 5307.1.

7 79. There are, however, certain exceptions to the generally applicable  
8 reimbursement rate. Under Cal. Lab. Code § 5318, “[i]mplantable medical devices,  
9 hardware and instrumentation . . . shall be separately reimbursed *at the provider’s*  
10 *documented paid cost, plus an additional 10% of the provider’s documented paid cost,*  
11 *not to exceed a maximum of two-hundred fifty dollars (\$250) . . .”.* See also, 8 CCR §  
12 9789.22 (f). This provision applies to implant hardware for spinal fusion surgeries. The  
13 statute requires medical providers to pay for the implant hardware *prior* to billing the  
14 insurer.

15 **VI. SPECIFIC FACTS RELATED TO UNLAWFUL SCHEME**

16 **A. Medical Background on Spinal Fusion Surgeries**

17 80. A “spinal fusion,” also known as *spondylodesis* or *spondylosyndesis*, is a  
18 surgical technique used to join two or more vertebrae. Supplementary bone tissue, either  
19 from the patient (autograft) or a donor (allograft) is used in conjunction with the body’s  
20 natural bone growth (osteoblastic) processes to fuse the vertebrae.

21 81. The surgery is most commonly performed on the lumbar region of the spine  
22 (lower back), but it is also used to treat cervical and thoracic problems. The surgery is  
23 less common in the thoracic region because there is little motion in the thoracic spine.  
24 Spinal fusion in the thoracic region is most often associated with spinal deformities, such  
25 as scoliosis and kyphosis, not with chronic pain.

26 82. In spinal fusion surgery, metal rods and screws are used to anchor the spine  
27 in place while grafted bone or other material is employed to generate bone growth that  
28 fuses the vertebrae. “Pedicule screws,” plates, small titanium or carbon fiber cages and

1 other hardware are used to stabilize the spine in place until the graft takes hold. The  
2 hardware reduces the movement of each vertebrae that is connected to the bridge – in  
3 theory, thereby relieving stress on the injured vertebrae, disks and/or nerves.

4 **B. Controversy over the Medical Benefits of Spinal Fusion Surgery**

5 83. From a clinical standpoint, spinal fusion surgeries have generated  
6 controversy. As many reports have concluded, spinal fusion surgery may be a necessary  
7 treatment in the face of trauma or debilitating diseases affecting the spine, such as  
8 scoliosis. The surgery, however, has been severely questioned when used to treat certain  
9 other types of back problems. It is precisely these kinds of spinal fusion surgeries that  
10 have dramatically increased in the California Workers Compensation System.

11 84. The most hotly debated use of spinal fusion surgery centers on patients who  
12 merely suffer from degenerative disk disease. In studies, researchers have found that the  
13 U.S. performs five times as many spine surgeries than the United Kingdom, with “no  
14 evidence [of] better outcomes.” Blue Cross and Blue Shield of North Carolina recently  
15 announced that they will no longer pay for spinal fusion surgeries because they are  
16 “considered not medically necessary.”

17 85. In 1998, spinal fusion surgeries were the 37th most common surgery in the  
18 U.S. By 2008, spinal fusion surgeries skyrocketed to the 16th most common surgery in  
19 the U.S. The surgery now accounts for around \$10 billion a year in U.S. medical  
20 spending.

21 **C. How Defendant Hospitals Attract Spinal Fusion Patients**

22 86. Defendant Hospitals enter into sham “marketing” arrangements with  
23 persons who agree to deliver patients to the hospitals for spinal fusion surgeries.  
24 Although the agreements are couched in general terms, such as “[e]nhancing the visibility  
25 and promote the image, reputation and accessibility . . . of Hospital’s facility, medical  
26 staff and clinical programs pertaining to orthopedics, spinal diseases/injuries . . . with  
27 Consultant’s network of chiropractors and orthopedic specialists . . . .” and “disseminate  
28 marketing materials and other information related to Hospital Services . . . .”, the real

1 purpose of these agreements is to unlawfully steer patients to the Defendant Hospitals for  
2 spinal fusion surgeries. Attached hereto and incorporated herein by reference as Exhibit 1  
3 to this Complaint is a true and correct copy of one such “marketing” agreement in *Qui*  
4 *Tam* Plaintiffs’ possession.

5 **1. Tri-City’s Relationship with Paul Randall**

6 87. Defendant Tri-City has entered into high-paying “marketing” agreements  
7 with several Defendants in this action, including Paul Randall. *At one point, Defendant*  
8 *Tri-City paid Defendant Randall as much as \$100,000 a month to deliver spinal*  
9 *patients to the hospital.* Between 2008 and 2011, Defendant Tri-City paid Randall as  
10 much as \$3.2 million to deliver workers’ compensation spinal surgery cases. In reality,  
11 these “marketing” agreements are nothing more than attempts by the Defendant Hospitals  
12 to unlawfully steer spinal fusion patients to the hospitals in order to bill the patients’  
13 insurer.

14 88. In return for obtaining these large “marketing” contracts with Defendant  
15 Hospitals, **Defendant Paul Randall and other “marketers” established networks of**  
16 **lower-level doctors and chiropractors who referred patients for surgery at**  
17 **Defendant Tri-City in return for illegal kickbacks.** This was done with Defendant Tri-  
18 City’s knowledge or reckless disregard for the truth.

19 89. Defendant Paul Randall and other “marketers” also induced surgeons to  
20 perform spinal surgeries at Defendant Tri-City by similarly paying them illegal kickbacks.  
21 This was also done with Defendant Tri-City’s knowledge or reckless disregard for the  
22 truth.

23 90. Had Medi-Cal, SCIF, workers’ compensation insurers and private insurers  
24 known that these claims were subject to capping and steering and/or subject to illegal  
25 kickbacks, they would not have provided reimbursement for the claims. Medi-Cal,  
26 workers’ compensation insurers, and private insurers regularly insert provisions in their  
27 contracts with medical providers strictly prohibiting the use of runners, cappers, steerers  
28 and other persons to procure patients and the use of kickbacks to generate billings.

1                   2.     **Pacific Hospital’s Relationship with Paul Randall and Other**  
2                                   **“Marketers”**

3             91.     After serving time in a federal prison on racketeering charges, Defendant  
4 Randall went into business with Defendant Drobot, who is the owner of Pacific Hospital  
5 of Long Beach. There, Defendant Randall introduced Drobot to surgeons performing  
6 spinal fusions. *At the time, Defendant Drobot paid Randall \$25,000 a month.*  
7 Defendants Randall and Drobot also co-owned a weekend retreat in Bullhead City,  
8 Arizona, along with a doctor.

9             92.     After a business dispute between Drobot and Randall, Defendant Randall  
10 began working with Defendant Tri-City in or around 2008. In or around August 2011,  
11 Defendant Randall returned to Pacific Hospital and Drobot, signing another “marketing”  
12 arrangement. *This agreement paid him \$100,000 per month to unlawfully steer spinal*  
13 *patients to Defendant Pacific Hospital and to promote Defendant Drobot’s implants in*  
14 *future spinal surgery cases.*

15             93.     As in the allegations above, **Defendant Randall and other “marketers”**  
16 **employed by Pacific Hospital established networks of chiropractors and doctors who**  
17 **referred patients to Defendant Pacific Hospital for spinal fusion surgeries in return**  
18 **for illegal kickbacks.** This was done with Defendant Pacific Hospital’s knowledge or  
19 reckless disregard for the truth.

20             94.     Defendant Paul Randall and other “marketers” also induced surgeons to  
21 perform surgeries at Defendant Pacific Hospital by similarly paying them illegal  
22 kickbacks. This was also done with Defendant Pacific Hospital’s knowledge or reckless  
23 disregard for the truth.

24             95.     Had Medi-Cal, SCIF, workers’ compensation insurers and private insurers  
25 known that these claims were subject to capping and steering and/or subject to illegal  
26 kickbacks, they would not have provided reimbursement for the claims. Medi-Cal,  
27 workers’ compensation insurers, and private insurers regularly insert provisions in their  
28 contracts with medical providers strictly prohibiting the use of runners, cappers, steerers

1 and other persons to procure patients and the use of kickbacks to generate billings.

2 **3. Tri-City's Relationship with Michael "Mic" McGrath**

3 96. During the period relevant to this Complaint, Defendant Tri-City entered  
4 into "marketing" agreements with Defendants C.I.O.S. and McGrath. **Under the terms**  
5 **of the agreements, Tri-City paid McGrath \$20,000 per month.** The real purpose of  
6 the "marketing" agreements were for C.I.O.S. and McGrath to steer spinal patients to Tri-  
7 City for spinal fusion surgery. Attached hereto and incorporated herein by reference as  
8 Exhibit 1 is a true and correct copy of the "marketing" agreement entered into by  
9 Defendants Tri-City, C.I.O.S. and McGrath. This was done with the hospitals'  
10 knowledge or reckless disregard for the truth.

11 97. In April of 2011, Defendant Tri-City also entered into a nonexclusive  
12 "Supplier Agreement" with Defendants C.I.O.S. and McGrath. This "Supplier  
13 Agreement" made clear that the hospital would continue to purchase hardware for spinal  
14 fusion surgeries from C.I.O.S. and McGrath. **C.I.O.S. and McGrath paid illegal**  
15 **kickbacks to doctors who performed spinal fusion surgeries for choosing Spinal**  
16 **Solutions' implant hardware.** All of this conduct was done with the Defendant  
17 Hospitals' knowledge or reckless disregard for the truth. Attached hereto as Exhibit 2  
18 and incorporated herein by reference is a true and correct copy of the agreement entered  
19 into by Defendants Tri-City, C.I.O.S. and McGrath.

20 98. Had Medi-Cal, SCIF, workers' compensation insurers and private insurers  
21 known that these claims were subject to capping and steering and/or subject to illegal  
22 kickbacks, they would not have provided reimbursement for the claims. Medi-Cal,  
23 workers' compensation insurers, and private insurers regularly insert provisions in their  
24 contracts with medical providers strictly prohibiting the use of runners, cappers, steerers  
25 and other persons to procure patients and the use of kickbacks to generate billings.

26 **D. How "Marketers" Steer Spinal Fusion Cases to Defendant Hospitals**

27 99. Defendants Summit, Platinum, C.I.O.S., Randall, Hernandez, and McGrath  
28 all help steer patients to Defendant Hospitals for spinal fusion surgeries. **These**



1 **Defendants achieve this unlawful purpose by paying kickbacks to lower-level**  
2 **doctors and chiropractors.** For example, Defendant Randall paid chiropractors and  
3 doctors approximately \$15,000 to \$20,000 in unlawful kickbacks for referring a patient  
4 for a spinal fusion surgery at Defendant Tri-City.

5 100. As one example, in or around March 2010, Defendants Summit and Randall  
6 paid a chiropractor \$30,000 in cash for referring two spinal surgery workers'  
7 compensation cases to Defendant Tri-City.

8 101. In addition to recruiting networks of loyal chiropractors and doctors to refer  
9 spinal cases to Defendant Hospitals, Defendants Summit, Platinum, C.I.O.S., Randall,  
10 Hernandez and McGrath also unlawfully induced spinal surgeons to perform surgeries at  
11 the Defendant Hospitals by paying them illegal kickbacks from the surgeries and entering  
12 into sham "consulting" agreements.

13 102. For example, C.I.O.S. and McGrath entered into sham "consulting  
14 agreements" with Dr. G. Sunny Uppal and Dr. Jack Ackmakjian. These doctors  
15 performed spinal fusion surgeries at Defendant Hospitals. The real purpose of these  
16 arrangements was to provide kickbacks to the surgeons for performing spinal surgery  
17 cases at Defendant Hospitals **and for choosing their spinal fusion hardware.**

18 103. As an example, in November of 2002, Defendant C.I.O.S. paid Dr. Jack  
19 Akmakjian \$25,000 in three checks of \$8,333.33 each. This conduct continued during the  
20 period relevant to this Complaint. **These kickbacks were paid to Dr. Akmakjian for**  
21 **choosing C.I.O.S.'s and Spinal Solutions' spinal implant hardware,** and to induce Dr.  
22 Ackmakjian to perform his surgeries at Tri-City Hospital and other Defendant Hospitals.  
23 A true and correct copy of the invoice and checks for these unlawful payments are  
24 attached hereto as Exhibit 3 to this Complaint and incorporated herein by reference.

25 104. Had Medi-Cal, SCIF, workers' compensation insurers and private insurers  
26 known that these claims were subject to capping and steering and/or subject to illegal  
27 kickbacks, they would not have provided reimbursement for the claims. Medi-Cal,  
28 workers' compensation insurers, and private insurers regularly insert provisions in their

1 contracts with medical providers strictly prohibiting the use of runners, cappers, steerers  
2 and other persons to procure patients and the use of kickbacks to generate billings.

3 **F. The Role of Spinal Implant Distributors in this Scheme**

4 105. Many of the Defendants who entered into “marketing” agreements with the  
5 Defendant Hospitals, also operate spinal implant distributorships. These distributorships  
6 sell spinal implant hardware to the Defendant Hospitals.

7 106. Defendants Summit, Platinum, C.I.O.S., Spinal Solutions, International  
8 Implants, Randall, Hernandez, McGrath, Williams and Drobot (“Defendant Distributors”)  
9 have all at one time been engaged in selling spinal implant systems to the Defendant  
10 Hospitals.

11 **1. Defendant Distributors’ Unlawful Kickbacks to Spinal Surgeons**

12 107. The surgeons who perform surgeries at Defendant Hospitals are responsible  
13 for choosing the implant hardware that will be used in the surgery. **In order to ensure  
14 that they obtain lucrative reimbursements from insurers for the spinal implant  
15 hardware, Defendant Distributors pay kickbacks to spinal surgeons to induce the  
16 spinal surgeons to purchase their equipment.**

17 108. Defendant Distributors have all engaged in a scheme to pay kickbacks to  
18 surgeons for choosing their implant hardware. In many cases, Defendant Distributors  
19 achieved the kickback scheme by entering into sham “consulting” agreements with the  
20 surgeons. For example, Defendants C.I.O.S. and McGrath entered into such sham  
21 agreements with Dr. G Sunny Uppal and Dr. Jack Akmakjian. *Qui Tam* Plaintiffs are in  
22 possession of these sham “consulting” agreements. On information and belief, the other  
23 Defendant Surgeons (Vanderlinden and Kolpin) have also entered into sham “consulting”  
24 agreements or other financial arrangements with Defendant Distributors, marketers and  
25 other unnamed coconspirators **for the purpose of paying them illegal kickbacks for  
26 choosing their implant hardware.**

27 109. In some cases, the sham “consulting” agreements state that the doctor will  
28 “[m]ake recommendations for instrument and implant modifications . . .” Yet, the

1 agreements are entered into with implant distributors who are mere “repackagers” of the  
2 hardware, not the actual manufacturers of FDA approved hardware.

3 110. In a note to Defendants Roger Williams and Spinal Solutions, Defendant  
4 McGrath discussed the illegal kickback scheme. Attached to the note were two checks  
5 for \$750, one for Dr. Uppal and one for Dr. Akmakjian. In the note, McGrath informs  
6 Williams: “**Rog, these che[cks] are . . . for Sunny & Jack. I had to pay to stop their**  
7 **crying. I’ll take this out of Spine-Line at the end of the month.**” Attached hereto and  
8 incorporated herein by reference as Exhibit 4 is a true and correct copy of that document.

9 111. In a series of three checks issued on the same day, Dr. Akmakjian was paid  
10 \$25,000 in kickbacks for choosing C.I.O.S. and Spinal Solutions’ spinal implant  
11 hardware. Attached hereto and incorporated herein by reference as Exhibit 3 is a true and  
12 correct copy of those checks.

13 112. On January 20, 2010, Defendant C.I.O.S. issued an invoice to Spinal  
14 Solutions seeking money for kickbacks to surgeons using Spinal Solutions’ spinal fusion  
15 hardware. The invoice indicates that Defendants Uppal and Akmakjian were paid \$1,500  
16 per spinal fusion surgery. The invoice even indicates the names of the patients and the  
17 hospitals where the surgeries were performed. Attached hereto and incorporated herein  
18 by reference as Exhibit 5 is a true and correct copy of that invoice.

19 113. *Qui Tam* Plaintiffs are also in possession of a series of checks issued to  
20 Defendant Joseph Vanderlinden, M.D., from C.I.O.S. The checks are signed by Mic  
21 McGrath. The document demonstrates extraordinarily lucrative kickbacks to Dr.  
22 Vanderlinden. **In a period of only three months, C.I.O.S. paid Vanderlinden \$24,000**  
23 **in kickbacks for using C.I.O.S.’s and Spinal Solutions’ spinal fusion hardware, and**  
24 **for performing the surgeries at Defendant Hospitals.** Dr. Vanderlinden appears to  
25 have been paid \$1,500 in kickbacks per spinal fusion surgery. Attached hereto and  
26 incorporated herein by reference as Exhibit 6 are true and correct copies of that billing  
27 statement.

28 114. Defendant Marketers and Distributors also effectuated their unlawful

1 kickback schemes by paying for junkets and international travel on behalf of spinal fusion  
2 surgeons who purchased their hardware. For example, Defendant Drs. Akmackjian and  
3 Uppal attended, along with Mic McGrath, a conference in Montreal. *Qui Tam* Plaintiffs  
4 are informed and believe that neither doctor paid for this trip and that it was instead paid  
5 for by Defendant C.I.O.S. in conjunction with Defendant Spinal Solutions as an illegal  
6 kickback or inducement to purchase their spinal implant hardware.

7 115. Had Medi-Cal, SCIF, workers' compensation insurers and private insurers  
8 known that these claims were subject to capping and steering and/or subject to illegal  
9 kickbacks, they would not have provided reimbursement for the claims. Medi-Cal,  
10 workers' compensation insurers, and private insurers regularly insert provisions in their  
11 contracts with medical providers strictly prohibiting the use of runners, cappers, steerers  
12 and other persons to procure patients and the use of kickbacks to generate billings.

13 **2. Defendant Distributors' and Hospitals' Unlawful Scheme to**  
14 **Inflate the Cost of Spinal Implant Hardware**

15 116. When billing workers' compensation carriers, medical providers are only  
16 permitted to mark-up spinal fusion implant hardware by 10% or \$250 of their  
17 "documented paid cost." Defendant Distributors and Hospitals are engaged in a scheme to  
18 unlawfully inflate the cost of spinal implant hardware billed to insurers in violation of this  
19 provision.

20 **a. Tri-City Regional Hospital**

21 117. Defendant Distributors (Summit, Platinum, C.I.O.S., Spinal Solutions,  
22 International Implants, Randall, Hernandez, McGrath, Williams and Drobot) created  
23 invoices to hospitals, inflating the cost of the implant hardware from 2-10 times the actual  
24 purchase price. These unlawfully inflated invoices were submitted to hospitals, including  
25 Defendant Hospitals, who in turn unlawfully inflated the invoices even further for  
26 payment by insurance carriers.

27 118. Attached as Exhibit 7 and incorporated herein by reference is an example of  
28 precisely how this unlawful billing inflation operates. On December 31, 2009, Defendant

1 C.I.O.S. submitted an invoice to Defendant Spinal Solutions for C.I.O.S.'s "commission"  
2 on the sale of spinal implant hardware for a particular surgery. The invoice reflects the  
3 "list price" that Spinal Solutions should have billed to Tri-City. **The total list price was**  
4 **\$22,155** (\$5,580 for 4 screws, \$2,799 for 2 other screws, \$850 for two rods, \$2,850 for 6  
5 screw caps, \$1,495 for "Medium Crosslink," and \$8,590 for two ALIF Cages). *See*  
6 Exhibit 7.

7 119. When Defendant Spinal Solutions billed Tri-City for the same hardware,  
8 however, it dramatically inflated the price. Defendant Spinal Solutions charged Tri-City  
9 a **total of \$95,223** (\$17,180 for the 4 screws, \$8,598.00 for the 2 other screws, \$7,790 for  
10 the two rods, \$17,370 for the 6 screw caps, \$12,095 for the Medium Crosslink, and  
11 \$32,190 for two ALIF Cages).

12 120. Not satisfied with the already greatly inflated cost of the implant hardware,  
13 Defendant Tri-City further inflated the cost when it billed the workers' compensation  
14 carrier – in this case, Berkshire Hathaway. Defendant Tri-City charged a **total of**  
15 **\$285,645** for the same hardware on precisely the same patient (\$51,540 for the 4 screws,  
16 \$25,770 for the two other screws, \$23,370 for the two rods, \$52,110 for the 6 screw caps,  
17 \$36,285 for the Medium Crosslink, and \$96,570 for two ALIF Cages).

18 121. Below is a summary of the unlawful inflation of implant hardware in only  
19 one case involving Defendant Tri-City:  
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Implant Product	List Price	Spinal Solutions to Tri-City	Tri-City to Workers' Compensation Insurer	Total Markup
4, 6x40mm Screws	\$5,580	\$17,180	\$51,540	\$45,960
2, 7x35mm Screws	\$2,790	\$8,590	\$25,770	\$22,980
2, 70mm Rods	\$850	\$7,790	\$23,370	\$22,520
6, Screw Caps	\$2,850	\$17,370	\$52,110	\$49,260
1, Medium Crosslink	\$1,495	\$12,095	\$36,285	\$34,790
2, ALIF Cages	\$8,590	\$32,190	\$96,570	\$87,980
				<b>Total Overall Markup: \$263,490</b>

122. Defendants Randall and Hernandez, through Defendants Summit and Platinum, also inflated the cost of hardware sold to hospitals by anywhere from 2 to 10 times the actual purchase price. In August of 2010, Defendant Randall submitted to Tri-City an invoice for spinal surgery hardware used on a workers' compensation patient, "R.G." **The invoice listed the cost of the hardware as \$42,467, when the actual cost of the hardware purchased by Defendants was \$3,600.**

123. Defendants Spinal Solutions, C.I.O.S., Summit, Platinum, International Implants, Roger Williams, Mary Williams, Mic McGrath, Paul Randall, Christine Hernandez and Michael Drobot ("Defendant Distributors") are all involved with Defendants Tri-City and Pacific Hospital in the scheme to inflate the cost of spinal implant hardware billed to insurers.

124. Additionally, in order to ensure that Defendant Tri-City is able to maintain its "non-profit" status under state and federal tax law, its executives engaged in a scheme to skim profits from the hospital originating from spinal fusion surgeries and hardware reimbursements. Executives at Tri-City Hospital – including Defendant Beryl Weiner and others – established Defendant South Bay Hospital Management Company,

1 ostensibly to “manage” Defendant Tri-City Hospital. The real purpose of the South Bay  
2 Management Company, however, is and was to conceal and launder money from  
3 unlawful billings to insurance carriers.

4 125. During the course of *Qui Tam* Plaintiffs’ investigation, former CEO of  
5 Defendant Tri-City, Arthur Gerrick, admitted to *Qui Tam* Plaintiffs that the hospital  
6 inflated the cost of invoiced spinal implant hardware by 300%. These inflated prices  
7 were subsequently unlawfully billed to insurance carriers. He also admitted that the  
8 hospital sought reimbursement from the insurance carriers *prior* to paying the supplier for  
9 the medical implant hardware.

10 **b. Pacific Hospital of Long Beach**

11 126. Defendant Pacific Hospital also engaged in egregious unlawful billing  
12 inflation for spinal implant hardware. In January of 2012, Defendant International  
13 Implants provided the hardware for a spinal fusion surgery to be performed at Pacific  
14 Hospital. International Implants charged Pacific Hospital \$32,465.00 for the hardware.

15 127. Only a few days later and without having actually *paid* for the surgical  
16 hardware yet, Pacific Hospital billed the workers’ compensation carrier \$64,930.00.  
17 Pacific Hospital unlawfully doubled the amount of the implant hardware that it billed to  
18 the workers’ compensation carrier. Attached hereto and incorporated herein by reference  
19 as Exhibit 8 to this Complaint is a true and correct copy of documents demonstrating the  
20 billing inflation at Pacific Hospital.

21 128. Similar to Defendant Tri-City, *Qui Tam* Plaintiffs’ review of Defendant  
22 Pacific Hospital’s bills demonstrates that Defendant Pacific Hospital billed insurance  
23 carriers at inflated rates *prior* to actually purchasing the implants from Defendant  
24 International Implants.

25 **3. Defendants’ Unlawful Scheme to Further Inflate the Cost of**  
26 **Spinal Implants by Manufacturing and Using Counterfeit**  
27 **Pedicle Screws**

28 129. As if the aforementioned scheme was not bad enough, Defendants have also

1 manufactured and/or knowingly utilized **counterfeit** “pedicle screw” systems and rods  
2 used in spinal fusion surgeries. These counterfeit screws and rods have been used in  
3 implant systems sold to Defendants Tri-City, Pacific Hospital, Riverside and St.  
4 Bernardine, as well as potentially countless other hospitals. The counterfeit screws and  
5 rods are not FDA approved and pose a serious threat to the health and safety of hundreds  
6 and potentially thousands of patients who received them

7 130. The FDA’s mission is, in part, to protect the public safety through the  
8 registration and tracking of medical devices and surgical hardware. In order to obtain  
9 FDA approval for original medical devices and surgical hardware, the manufacturer is  
10 required to go through an onerous approval process. This approval process requires  
11 clinical trials, product testing and other internal processes. On the other hand, in order for  
12 a “tagalong” device to be approved by the FDA, the manufacturer, distributor or  
13 “repackager” is required to demonstrate that the product is “substantially equivalent” to  
14 an already-approved FDA device. This process requires the manufacturer to conduct  
15 product testing and meet other requirements in order to obtain the proper registration. If  
16 the FDA approves the “tagalong” device, the hardware receives a “510-K” number.  
17 Defendants circumvented this process by engaging in an illegal scheme to counterfeit  
18 FDA-approved pedicle screw systems and rods.

19 131. Defendant Roger Williams and Spinal Solutions, along with the other  
20 Defendant Distributors, hired a machinist in the Temecula area to manufacture counterfeit  
21 pedicle screws and rods. Williams used a business called “Crowder’s Machine & Tool  
22 Shop.”

23 132. *Qui Tam* Plaintiffs have met with the owner and proprietor of Crowder’s  
24 Machine & Tool Shop – Defendant William Crowder. He informed *Qui Tam* Plaintiffs  
25 that he had been hired by Williams to manufacture counterfeit screws and rods to be sold  
26 as part of spinal implant systems. He confirmed that he sold counterfeit screws and rods  
27 to Defendant Distributors. Crowder informed *Qui Tam* Plaintiffs that the screws and rods  
28 were intended to look like the FDA-approved pedicle screws manufactured by the “U&I



1 Corporation.” U&I Corporation is a South Korean medical device company that  
2 manufactures FDA-approved pedicle screws and rods.

3 133. *Qui Tam* Plaintiffs were provided with samples of the counterfeit screws by  
4 Defendant McGrath. *Qui Tam* Plaintiffs met with representatives of U&I Corporation,  
5 who flew to the United States for a meeting. At that meeting U&I Corporation’s chief  
6 engineer and executives examined the screws and confirmed to *Qui Tam* Plaintiffs that  
7 they were, in fact, counterfeit.

8 134. In addition to counterfeiting U&I Corporation pedicle screws and rods, *Qui*  
9 *Tam* Plaintiffs also uncovered evidence that Spinal Solutions and Roger Williams  
10 counterfeited Ortho-Sol’s pedicle screws – a company from South Africa. After  
11 uncovering this evidence, *Qui Tam* Plaintiffs contacted representatives of Ortho-Sol. In  
12 response to *Qui Tam* Plaintiffs’ inquiry, Richard Walker from Ortho-Sol confirmed that  
13 they also believed Spinal Solutions and Roger Williams were engaged in a scheme to  
14 manufacturer counterfeit, non-FDA approved hardware. Ortho-Sol halted any business  
15 with Spinal Solutions and Roger Williams when “[a]larm bells started to ring.” In an  
16 email to *Qui Tam* Plaintiffs, Walker described that there appeared to be product  
17 tampering and counterfeiting, “[u]nethical perverse incentive payments made to surgeons  
18 for product use *[and] Roger[’s] sudden flamboyant increase in lifestyle from mediocre,*  
19 *to a Upper Class Property, flashy vehicles, aircraft and yacht purchases.*”

20 135. Pasted below are pictures of some of the counterfeit pedicle screws in *Qui*  
21 *Tam* Plaintiffs’ possession:

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Product: **Wampole Metric, Inc.**  
**LCVT** H461081A  
**REF** 934067  
 Model: **Horizone Corporation**  
 Last Date: 07/06/00 Rev: 0

ORDER: 100 DEHABILIZED SMALL REFLECT  
 LOT # 074 0000004718  
 1700 5000 PARTS  
 EXPY: 06/02/01  
 Store at 15°C - 25°C Do not freeze.

1- 2141-008 0° x 8mm  
 4- N6000135 4.0 x 12 mm lens  
 1- N6000101 One level 24mm

**Before Patient Leaves Operating Room**

Ward verbally confirms with the team:  Y  N

The name of the procedure recorded  Y  N

That instrument, sponge and needle counts are correct (or not applicable)  Y  N  NA

That specimen is labeled correctly (including patient name)  Y  N  NA

Whether observed any equipment problems to be addressed  Y  N

**At the time of patient assessment and sign-out at the end of the procedure:**

Estimated:  Y  N  NA    Responsive/Commands:  Y  N    Responsive/Pain:  Y  N

Fully Awake:  Y  N    Color: *Normal*    Respiration: *Equal*

Heart Rate/Rhythm: *120/regular*    Condition IV site: *patent*

Catheter/dressing: *dry*    Solution: *NS*    TBA:

Vitals: *120/70/90*    Output: *0*     Review of Medications/Orders

Notes/Remarks:

Anesthesiologist: *J. Davis*    Transcription RN: *R. Smith*    Recording RN: *B. De. P.*    Time: *1:30*

1           139. In addition, hospitals are required to obtain proof of the 510-K FDA  
2 registration number of all hardware prior to any surgery. Manufacturers or distributors of  
3 such devices are supposed to track the manufacturer, serial number, and lot number for  
4 each device. Hospitals are also supposed to keep track of each device's "lot number."  
5 This tracking must correspond to each patients' hospital implant log.

6           140. As the above example demonstrates, the devices that have a sticker attached  
7 to the form include lot numbers. The implants that were merely handwritten on the form  
8 do not. Hospital staff properly trained in medical implant requisition would not have  
9 accepted the above form as proper documentation of the implant screws and other  
10 hardware. Notwithstanding these glaring deficiencies and the obvious counterfeit nature  
11 of the screws, Defendant Hospitals billed workers' compensation insurers, Medi-Cal and  
12 private insurers millions of dollars for counterfeit medical implants.

13           141. During the course of *Qui Tam* Plaintiffs' investigation, Judy Hopkins, the  
14 former head nurse at Defendant Tri-City, admitted that she knew the spinal fusion implant  
15 hardware was counterfeit or otherwise not approved by the FDA. Hopkins also admitted  
16 that she knew of the improper markups described herein, and knew of the illegal  
17 skimming of profits from Tri-City to South Bay Hospital Management Company.

18           142. In addition to the unlawful inflation of the medical implants outlined in  
19 prior sections, Defendant Hospitals further unlawfully inflated the costs billed to insurers  
20 through these counterfeit pedicle screw and rod systems. The Defendant Hospitals billed  
21 workers' compensation insurers, private insurers, SCIF, and Medi-Cal for the screws as if  
22 they were the real, FDA-approved, pedicle screw systems and rods.

23           143. In addition to manufacturing and selling counterfeit medical implants,  
24 Defendants Spinal Solutions and Roger Williams smuggled non-FDA approved spinal  
25 screws and related hardware into the United States, and sold that hardware to Defendant  
26 Hospitals for use in surgery.

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1 **VII. EXAMPLES OF FALSE CLAIMS**

2 144. Defendants conspired to, aided and abetted, or were otherwise unlawfully  
3 involved in the submission of thousands of false or fraudulent claims for payment to  
4 workers' compensation carriers, SCIF, private insurers and the Medi-Cal system. The  
5 claims were false or fraudulent for one or more of the following reasons:

- 6 • Defendants knowingly sought, and falsely represented that they were  
7 entitled to, reimbursement far in excess of amounts they paid for spinal  
8 hardware;
- 9 • Defendants knowingly sought, and falsely represented that they were  
10 entitled to, reimbursement for spinal hardware for which they had not yet  
11 paid;
- 12 • Defendants knowingly sought, and falsely represented that they were  
13 entitled to, reimbursement for claims that were procured by runners,  
14 cappers or steerers;
- 15 • Defendants knowingly sought, and falsely represented that they were  
16 entitled to, reimbursement for spinal surgeries that were procured by means  
17 of, or otherwise involved, the payment of illegal kickbacks; and
- 18 • Defendants knowingly sought, and falsely represented that they were  
19 entitled to, reimbursement for spinal surgeries that utilized counterfeit or  
20 non-FDA approved hardware.

21 145. As outlined above, Section 5318 of the California Labor Code, and Title 8,  
22 Section 9789.22 of the California Code of Regulations, limit the amount that a provider  
23 may charge an insurer for surgical hardware – including the spinal implants at issue –  
24 to “the provider’s documented paid cost.” The provider is allowed to charge a 10%  
25 surcharge on top of the documented paid cost, in an amount not to exceed \$250.  
26 Defendants Tri-City and Pacific regularly submitted false claims for payment well in  
27 excess of 110% of their documented paid cost for the spinal surgical hardware described  
28 herein.

1           146. For example, as described above, Tri-City submitted a claim for payment to  
2 Berkshire Hathaway for **\$285,645** worth of surgical hardware used on a workers'  
3 compensation patient, when Tri-City was only billed \$95,223 for the hardware from its  
4 distributor. By submitting the claim, Tri-City represented that it was entitled to the entire  
5 amount claimed. Furthermore, Tri-City submitted the claim to Berkshire Hathaway on a  
6 standard UB-04 claim form. The standard UB-04 claim form contains an explicit  
7 certification that states, in pertinent part:

8                   THE SUBMITTER OF THIS FORM UNDERSTANDS THAT  
9                   MISREPRESENTATION OR FALSIFICATION OF ESSENTIAL  
10                  INFORMATION AS REQUESTED BY THIS FORM, MAY  
11                  SERVE AS THE BASIS FOR CIVIL MONETARY PENALTIES  
                  AND ASSESSMENTS AND MAY UPON CONVICTION  
                  INCLUDE FINES AND/OR IMPRISONMENT UNDER  
                  FEDERAL AND/OR STATE LAW(S).

12                  Submission of this claim constitutes certification that the billing  
13                  information as shown on the face hereof is true, accurate and  
14                  complete and that the submitter did not knowingly or recklessly  
                  disregard or misrepresent or conceal material facts.

15 (Emphasis in original).

16           147. Tri-City's claim for payment in excess of the amount to which it was  
17 entitled therefore constitutes a false claim. Tri-City has submitted hundreds and likely  
18 thousands of such falsely inflated claims for amounts in excess of its documented paid  
19 cost for spinal surgery hardware.

20           148. Similarly, Defendant Pacific Hospital has submitted falsely inflated claims  
21 for amounts in excess of its documented paid cost for spinal surgery hardware. For  
22 example, for a surgery performed on a workers' compensation patient on January 12,  
23 2012, Pacific received an invoice for surgical hardware totaling \$32,465. Pacific billed  
24 the workers' compensation insurance carrier, Berkshire Hathaway, twice that amount –  
25 \$67,654 – for the same hardware.

26           149. Moreover, under Section 5318 of the California Labor Code, and Title 8,  
27 Section 9789.22 of the California Code of Regulations, Defendant Hospitals were only  
28 permitted to bill for hardware for which they had *already paid*. Defendants Tri-City and

1 Pacific, however, regularly and knowingly billed insurance carriers for spinal hardware  
2 prior to paying the providers of the hardware. Each claim submitted by Defendants Tri-  
3 City and Pacific for hardware for which they had not already paid constitutes a false  
4 claim.

5 150. Worse still, the Defendants knowingly sought, and falsely represented that  
6 they were entitled to, reimbursement for spinal surgeries that were procured by means of,  
7 or otherwise involved, the payment of illegal kickbacks; and Defendants Hospitals  
8 knowingly sought, and falsely represented that they were entitled to, reimbursement for  
9 spinal surgeries that utilized counterfeit or non-FDA approved hardware.

10 151. Attached hereto as Exhibit 10 is a spreadsheet detailing thousands of false  
11 claims submitted by Defendant Hospitals between 2004 and 2009. These claims are all  
12 false for one or more of the reasons described above.

13 **VIII. DELAYED DISCOVERY, FRAUDULENT CONCEALMENT AND**  
14 **CONTINUING COURSE OF CONDUCT**

15 152. *Qui Tam* Plaintiffs incorporate herein by reference and reallege all of the  
16 allegations stated in this Complaint.

17 **A. Delayed Discovery Suspended Accrual of the Action**

18 153. *Qui Tam* Plaintiffs had no knowledge of the claims alleged herein, or of  
19 facts sufficient to place them on inquiry notice of the claims set forth herein, until just  
20 months before filing this Complaint. *Qui Tam* Plaintiffs did not discover, and could not  
21 have discovered through the exercise of reasonable diligence, the existence of the this  
22 scheme until just months before the filing of the Complaint.

23 154. Because of the lack of transparency in the healthcare industry and medical  
24 billing generally and due to Defendants' conduct, information was not available to *Qui*  
25 *Tam* Plaintiffs prior to just months before the filing of the Complaint. For these reasons,  
26 the statute of limitations did not begin to accrue with respect to the claims that *Qui Tam*  
27 Plaintiffs have alleged in this Complaint until just months before the filing of the  
28 Complaint.

1           **B.     Fraudulent Concealment Tolloed the Statute of Limitations**

2           155. In the alternative, application of the doctrine of fraudulent concealment  
3 tolled the statute of limitations on the claims asserted herein by *Qui Tam* Plaintiffs.

4           156. *Qui Tam* Plaintiffs did not know and could not have known of the existence  
5 of the claims asserted herein until just months before the filing of the Complaint.

6           157. Before that time, *Qui Tam* Plaintiffs were unaware of Defendants' unlawful  
7 conduct. Defendants employed tactics to keep the schemes alleged herein secret. For  
8 example, in order to hide the counterfeit nature of the pedicle screw systems and rods,  
9 Defendant Distributors put "U&I Corporation," and the branding of other companies who  
10 manufactured real, FDA-approved screws, on the counterfeit screws and rods. This  
11 conduct concealed the true nature of the implant hardware and deceived persons into  
12 believing they were not counterfeit. Indeed, even the FDA did not discover the  
13 counterfeit nature of the screws when it raided Defendant Spinal Solutions' operations.  
14 Moreover, federal and state medical privacy laws make it difficult for the public or  
15 whistleblowers to review medical billing in depth.

16           158. Additionally, Defendants utilized the utter lack of transparency in the  
17 healthcare industry and medical billing generally to carry out their unlawful and  
18 fraudulent schemes. For example, the State Compensation Insurance Fund's publication,  
19 *A Treating Physician's Guide to Patient Care in the Workers' Compensation System*,  
20 states that "[t]he nature of the workers' compensation system combined with minimal  
21 accountability demanded of service providers to allow documenting fraud and  
22 establishing potential criminal responsibility make fraud **exceptionally difficult to detect**  
23 **and prosecute.**"

24           159. With respect to the illegal kickbacks, Defendants shrouded their unlawful  
25 conduct through the use of sham "consulting" agreements and other complex financial  
26 arrangements. Additionally, chiropractors and doctors were sometimes paid unlawful  
27 kickbacks in cash to conceal the payments. Consequently, the doctrine of fraudulent  
28 concealment has tolled *Qui Tam* Plaintiffs' claims.

1           **C.    Defendants' Continuing Course of Conduct Constitutes a Continuing**  
2                                   **Violation of the Insurance Frauds Prevent Act and the California False**  
3                                   **Claims Act**

4           160.   *Qui Tam* Plaintiffs are informed and believe that with respect to each  
5 individual named in this Complaint, their conduct constituted a continuing pattern and  
6 course of conduct that began as early as 2004 and continues up until the present.

7           161.   This pattern and course of conduct constitutes a continuing violation of the  
8 statutes at issue in this case.

9   **IX.   CAUSES OF ACTION**

10                                   **FIRST CAUSE OF ACTION**

11                   **(Against Defendant Hospitals, C.I.O.S., Summit, Platinum, Healthpointe,**  
12                   **Catanzarite, McGrath, Randall, Hernandez and Drobot)**

13                   **California Insurance Frauds Prevention Act, Employment**  
14                   **of Runners, Cappers and Steerers or Other Persons to Procure Patients**

15                                   (Cal. Ins. Code § 1871.7(a))

16           162.   *Qui Tam* Plaintiffs incorporate herein by reference and reallege all of the  
17 allegations stated in this Complaint.

18           163.   Pursuant to Cal. Ins. Code § 1871.7(a), it is unlawful to knowingly employ  
19 runners, cappers, steerers or other persons to procure patients for the purpose of  
20 submitting a claim to that patient's insurance carrier.

21           164.   From at least May 25, 2004, to the present, Defendant Hospitals and Drobot  
22 have unlawfully employed Defendants C.I.O.S., Summit, Platinum, Healthpointe,  
23 Catanzarite, McGrath, Hernandez, and Randall for the purpose of procuring patients to  
24 perform spinal fusion surgeries at their hospitals. Defendant Hospitals did so in order to  
25 submit claims for payment to insurance carriers.

26           165.   From at least May 25, 2004, to the present, Defendants C.I.O.S., Summit,  
27 Platinum, Healthpointe, Catanzarite, McGrath, Randall and Hernandez, acting as the  
28 runners, cappers, steerers or other persons, all conspired with the Defendant Hospitals and  
Drobot to violate Cal. Ins. Code § 1871.7(a).



1 166. Because the claims submitted to medical insurers by Defendant Hospitals  
2 were procured by runners, cappers, steerers and other persons, these claims were false and  
3 fraudulent under the California Insurance Frauds Prevention Act.

4 167. This conduct was a substantial factor in causing damages as detailed herein.

5 **SECOND CAUSE OF ACTION**

6 **(Against All Defendants)**

7 **California Insurance Frauds Prevention Act, Presenting or Causing to be Presented**  
8 **False or Fraudulent Claims for the Payment of an Injury Under a Contract of**  
9 **Insurance**

10 (Cal. Ins. Code § 1871.1(b); Cal. Pen. Code § 550(a)(1))

11 168. *Qui Tam* Plaintiffs incorporate herein by reference and reallege all of the  
12 allegations stated in this Complaint.

13 169. From at least May 25, 2004, to the present, Defendants have all either  
14 knowingly presented or caused to be presented false and fraudulent claims for the  
15 payment of spinal surgeries, or aided, abetted, solicited, or conspired to present or cause  
16 to be presented such false and fraudulent claims.

17 170. The claims were false or fraudulent because:

- 18 • Defendants knowingly sought, and falsely represented that they were  
19 entitled to, reimbursement far in excess of amounts they paid for  
20 spinal hardware;
- 21 • Defendants knowingly sought, and falsely represented that they were  
22 entitled to, reimbursement for spinal hardware for which they had  
23 not yet paid;
- 24 • Defendants knowingly sought, and falsely represented that they were  
25 entitled to, reimbursement for spinal surgeries that were procured by  
26 means of, or otherwise involved, the payment of illegal kickbacks;
- 27 • Defendants knowingly sought, and falsely represented that they were  
28 entitled to, reimbursement for spinal surgeries that utilized  
counterfeit or non-FDA approved hardware.

1 171. Defendants either directly presented such false claims for payment to  
2 insurers, or caused such false claims to be presented.

3 172. This conduct was a substantial factor in causing damages as detailed herein.

4 **THIRD CAUSE OF ACTION**

5 **(Against All Defendants)**

6 **California Insurance Frauds Prevention Act, Knowingly Preparing or Making Any**  
7 **Writing in Support of a False or Fraudulent Claim**

8 (Cal. Ins. Code § 1871.1(b); Cal. Pen. Code § 550(a)(5))

9 173. *Qui Tam* Plaintiffs incorporate herein by reference and reallege all of the  
10 allegations stated in this Complaint.

11 174. From at least May 25, 2004, to the present, Defendants have all either  
12 knowingly prepared, made, or subscribed a writing, with the intent to present or use it, or  
13 to allow it to be presented, in support of false and fraudulent claims for the payment of  
14 spinal surgeries on patients, or have aided, abetted, solicited, or conspired to prepare,  
15 make, or subscribe such a writing.

16 175. The writings include bills for payment presented to insurance carriers for  
17 payment, and invoices prepared in support of such bills for payment. Such bills for  
18 payment constitute false or fraudulent claims because through those bills:

- 19 • Defendants knowingly sought, and falsely represented that they were  
20 entitled to, reimbursement far in excess of amounts they paid for  
21 spinal hardware;
- 22 • Defendants knowingly sought, and falsely represented that they were  
23 entitled to, reimbursement for spinal hardware for which they had  
24 not yet paid;
- 25 • Defendants knowingly sought, and falsely represented that they were  
26 entitled to, reimbursement for spinal surgeries that were procured by  
27 means of, or otherwise involved, the payment of illegal kickbacks;
- 28 • Defendants knowingly sought, and falsely represented that they were

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entitled to, reimbursement for spinal surgeries that utilized counterfeit or non-FDA approved hardware.

176. Defendants either directly presented such false claims for payment to insurers, or caused such false claims to be presented.

177. This conduct was a substantial factor in causing damages as detailed herein.

**FOURTH CAUSE OF ACTION**

**(Against All Defendants)**

**California Insurance Frauds Prevention Act, Knowingly Making or Causing to Be Made Any False or Fraudulent Claim for Payment of a Health Care Benefit**

(Cal. Ins. Code § 1871.1(b); Cal. Pen. Code § 550(a)(6))

178. *Qui Tam* Plaintiffs incorporate herein by reference and reallege all of the allegations stated in this Complaint.

179. From at least May 25, 2004, to the present, Defendants have all either knowingly presented or caused to be presented false and fraudulent claims for the payment of spinal surgeries on patients, or aided, abetted, solicited, or conspired to present or cause to be presented such false and fraudulent claims.

180. The claims were false or fraudulent because:

- Defendants knowingly sought, and falsely represented that they were entitled to, reimbursement far in excess of amounts they paid for spinal hardware;
- Defendants knowingly sought, and falsely represented that they were entitled to, reimbursement for spinal hardware for which they had not yet paid;
- Defendants knowingly sought, and falsely represented that they were entitled to, reimbursement for spinal surgeries that were procured by means of, or otherwise involved, the payment of illegal kickbacks;
- Defendants knowingly sought, and falsely represented that they were entitled to, reimbursement for spinal surgeries that utilized

1 counterfeit or non-FDA approved hardware.

2 181. Defendants either directly presented such false claims for payment to  
3 insurers, or caused such false claims to be presented.

4 182. This conduct was a substantial factor in causing damages as detailed herein.

5 **FIFTH CAUSE OF ACTION**

6 **(Against All Defendants)**

7 **California Insurance Frauds Prevention Act, Soliciting, Accepting, and Referring**  
8 **Business to or from An Individual or Entity That Intends to Violate Section 550 of**  
9 **the Penal Code or Section 1871.4 of the Insurance Code**

10 (Cal. Ins. Code § 1871.1(b); Cal. Pen. Code § 549)

11 183. *Qui Tam* Plaintiffs incorporate herein by reference and reallege all of the  
12 allegations stated in this Complaint.

13 184. From at least May 25, 2004, to the present, Defendants have all solicited,  
14 accepted, or referred business to or from an entity or individual that intends to violate  
15 Section 550 of the Penal Code or Section 1871.4 of the Insurance Code.

16 185. The claims were false or fraudulent because:

- 17 • Defendants knowingly sought, and falsely represented that they were  
18 entitled to, reimbursement far in excess of amounts they paid for  
19 spinal hardware;
- 20 • Defendants knowingly sought, and falsely represented that they were  
21 entitled to, reimbursement for spinal hardware for which they had  
22 not yet paid;
- 23 • Defendants knowingly sought, and falsely represented that they were  
24 entitled to, reimbursement for spinal surgeries that were procured by  
25 means of, or otherwise involved, the payment of illegal kickbacks;
- 26 • Defendants knowingly sought, and falsely represented that they were  
27 entitled to, reimbursement for spinal surgeries that utilized  
28 counterfeit or non-FDA approved hardware

186. Defendants either directly presented such false claims for payment to

1 insurers, or caused such false claims to be presented.

2 187. This conduct was a substantial factor in causing damages as detailed herein.

3 **SIXTH CAUSE OF ACTION**

4 **(Against All Defendants)**

5 **California False Claims Act for Submission, Use, Presentation or Cause of**  
6 **Submission, Use, Presentation of False Claims or Conspiracy to Commit False**  
7 **Claims to Medi-Cal**

8 (Cal. Gov. Code § 12651(a)(1)-(3), 12652)

9 188. *Qui Tam* Plaintiffs incorporate herein by reference and reallege all of the  
10 allegations stated in this Complaint.

11 189. By the conduct described above, from at least May 25, 2002, to the present,  
12 Defendants have all knowingly presented, caused to be presented false and fraudulent  
13 claims for payment or approval from California's Medi-Cal system.

14 190. From at least May 25, 2002, to the present, Defendants have also knowingly  
15 made, used, or caused to be made or used a false record or statement material to a false or  
16 fraudulent claim submitted to California's Medi-Cal system.

17 191. The claims were false or fraudulent because:

- 18 • Defendants knowingly sought, and falsely represented that they were  
19 entitled to, reimbursement far in excess of amounts they paid for  
20 spinal hardware;
- 21 • Defendants knowingly sought, and falsely represented that they were  
22 entitled to, reimbursement for spinal hardware for which they had  
23 not yet paid;
- 24 • Defendants knowingly sought, and falsely represented that they were  
25 entitled to, reimbursement for spinal surgeries that were procured by  
26 means of, or otherwise involved, the payment of illegal kickbacks;
- 27 • Defendants knowingly sought, and falsely represented that they were  
28 entitled to, reimbursement for spinal surgeries that utilized  
counterfeit or non-FDA approved hardware

1 192. Defendants either directly presented such false claims for payment to  
2 insurers, or caused such false claims to be presented.

3 193. This conduct was a substantial factor in causing damages as detailed herein.

4 **X. PRAYER FOR RELIEF**

5 WHEREFORE, Plaintiff by and through *Qui Tam* Plaintiffs, pray judgment in its  
6 favor and against Defendants as follows:

7 **Pursuant to the California Insurance Frauds Prevention Act:**

8 **TO THE PEOPLE OF CALIFORNIA AND *QUI TAM* PLAINTIFFS:**

9 1. For civil penalties of \$10,000 to be imposed for each and every false and  
10 fraudulent claim for payment submitted, presented or caused to be submitted or presented  
11 to an insurance company;

12 2. For an assessment of three-times the amount of each claim for  
13 compensation made by Defendants;

14 3. For an injunction mandating that Defendants be prohibited from:

- 15 (a) employing, or acting as, runners, cappers, steerers or other persons  
16 for the purpose of procuring patients;
- 17 (b) paying illegal kickbacks to chiropractors, doctors, lawyers and other  
18 persons for referring patients to Defendant Hospitals;
- 19 (c) inflating the cost of spinal implant hardware above that which is  
20 allowable under California law;
- 21 (d) paying illegal kickbacks to doctors and surgeons for choosing  
22 particular spinal implant hardware;
- 23 (e) manufacturing counterfeit, non-FDA approved spinal implant  
24 hardware and billing insurers as if it were FDA approved hardware;  
25 and
- 26 (f) performing non-medically necessary spinal fusion surgeries.

27 4. For pre and post-judgment interest;

28 5. For reasonable attorneys' fees, costs, and expenses incurred in bringing this

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case;

6. For an award of such other and further relief as this Court deems just and proper; and

7. That the *Qui Tam* Plaintiffs be awarded the maximum percentage of any recovery allowed to them pursuant to Cal. Ins. Code § 1871.7.

**Pursuant to the California False Claims Act:**

**TO THE PEOPLE OF CALIFORNIA AND *QUI TAM* PLAINTIFFS:**

1. For civil penalties of \$10,000 to be imposed for each and every false and fraudulent claim for payment submitted, presented or caused to be submitted or presented to Medi-Cal for payment;

2. For treble damages resulting to the Medi-Cal system from Defendants; conduct;

3. For pre and post-judgment interest;


4. For reasonable attorneys' fees, costs, and expenses incurred in bringing this case;

5. That the *Qui Tam* Plaintiffs be awarded the maximum percentage of any recovery allowed to them pursuant to the California False Claims Act; and

6. For pre and post-judgment interest.

Dated: May 24, 2012

**COTCHETT, PITRE & McCARTHY, LLP**

By:   
JUSTIN T. BERGER  
*Attorneys for Qui Tam Plaintiffs*

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**DEMAND FOR JURY TRIAL**

*Qui Tam* Plaintiffs MARK SERSANSIE and WILLIAM REYNOLDS hereby demand a jury trial on all issues so triable.

Dated: May 24, 2012

**COTCHETT, PITRE & McCARTHY, LLP**

By:

  
JUSTIN T. BERGER  
*Attorney for Qui Tam Plaintiffs*