Department of Justice

FOR IMMEDIATE RELEASE | CRM
TUESDAY, JULY 9, 2019 | (202) 514-2007
WWW.JUSTICE.GOV | TTY (866) 544-5309

SUBSTANCE ABUSE TREATMENT CENTER OWNER PLEADS GUILTY TO $57 MILLION MONEY LAUNDERING CONSPIRACY IN CONNECTION WITH HOSPITAL PASS-THROUGH BILLING SCHEME

WASHINGTON – The owner of a Jacksonville, Florida-area substance abuse treatment center pleaded guilty today for his role in a $57 million money laundering conspiracy associated with a pass-through billing scheme involving laboratory testing services.

Assistant Attorney General Brian A. Benczkowski of the Justice Department's Criminal Division, U.S. Attorney Maria Chapa Lopez of the Middle District of Florida, Special Agent in Charge Rachel Rojas of the FBI's Jacksonville Field Office, Deputy Assistant Inspector General Thomas W. South of the U.S. Office of Personnel Management-Office of Inspector General (OPM-OIG), Special Agent in Charge Rafiq Ahmad of the U.S. Department of Labor-Office of Inspector General (DOL-OIG) and Special Agent in Charge Basil P. Demczak of the Amtrak Office of Inspector General (Amtrak-OIG) made the announcement.

Kyle Ryan Marcotte, 36, of Jacksonville Beach, Florida, pleaded guilty before U.S. Magistrate Judge Joel Toomey of the Middle District of Florida to a one-count information charging him with conspiracy to commit money laundering. As part of his guilty plea, Marcotte agreed to a forfeiture judgment of $10,220,281.42. Sentencing before U.S. District Judge Timothy Corrigan of the Middle District of Florida has not yet been scheduled.

According to admissions made as part of his guilty plea, Marcotte was the owner of a substance abuse treatment facility in Jacksonville Beach, Florida. In approximately 2015, Marcotte entered into an arrangement with a laboratory owner to send urine samples for the facility's patients to the owner's lab for urine drug testing (UDT), in exchange for receiving 40 percent of the insurance reimbursements. The lab owner, in turn, arranged with the managers of Campbellton–Graceville Hospital (CGH) and Regional General Hospital Williston (RGH), rural hospitals in Florida, to have the testing billed to private insurers through CGH and RGH and reimbursed at favorable rates under the hospitals' in-network contracts with insurers. Marcotte also admitted that he brokered deals with other substance abuse treatment centers to have their UDTs billed through CGH and RGH in exchange for Marcotte receiving 10 percent of the insurance reimbursements, while the other substance abuse facilities would receive 30 percent of the insurance reimbursements.

The lab owner subsequently acquired Chestatee Hospital, in Dahlonega, Georgia, and other rural hospitals. Marcotte admitted that he continued to supply samples from his substance abuse treatment facility and continued to broker deals with other substance abuse treatment centers to have UDTs tested at the lab and billed to insurers through Chestatee and the other hospitals, all in exchange for a percentage of the insurance reimbursements. The reimbursements were transmitted from the hospitals to the lab, which then transmitted them to two companies Marcotte controlled, North Florida Labs and KTL Labs using financial transactions and bank accounts that Marcotte had established to facilitate the payments. Marcotte arranged to transfer a portion of the reimbursements from KTL Labs as kickbacks to the individuals and companies that controlled the substance abuse treatment centers in order to further the fraudulent scheme. Marcotte also transferred a portion of the reimbursements to himself and to purchase real estate and items of real property, he admitted.

Marcotte caused $50 million in payments to be made from KTL Labs' bank accounts to at least 88 companies and individuals associated with substance abuse treatment centers that supplied urine samples for testing. The total amount of money that was part of the money laundering scheme was $57.3 million, Marcotte admitted.

The case was investigated by the FBI, OPM-OIG, DOL-OIG and Amtrak OIG. Trial Attorneys Gary A. Winters and James V. Hayes of the Criminal Division's Fraud Section and Assistant U.S. Attorney Tysen Duva of the Middle District of Florida are prosecuting the case.

The Fraud Section leads the Medicare Fraud Strike Force, which is part of a joint initiative between the Department of Justice and HHS to focus their efforts to prevent and deter fraud and enforce current anti-fraud laws around the country. Since its inception in March 2007, the Medicare Fraud Strike Force, which maintains 14 strike forces operating in 23 districts, has charged nearly 4,000 defendants who have collectively billed the Medicare program for more than $14 billion. In addition, the HHS Centers for Medicare & Medicaid Services, working in conjunction with the HHS-OIG, are taking steps to increase accountability and decrease the presence of fraudulent providers.

# # #

19-744