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Former Copley man sentenced to four years in prison for stealing \$1.5 million from healthcare plans

A former Copley resident was sentenced to nearly four years in prison for stealing more than \$1.5 million from healthcare plans he administered and using the money to pay for bonuses, operating expenses, luxury car leases and a country club membership, said Steven M. Dettelbach, United States Attorney for the Northern District of Ohio.

Robert Hartenstein, 62, was sentenced to 46 months in prison and ordered to pay more than \$1.5 million in restitution. He previously was found guilty of seven counts of theft from a health benefit program.

"This defendant was entrusted with millions of dollars to pay for hospital stays and medical tests, but instead betrayed that trust and used his clients' money for fancy cars, lavish entertainment and his own business operations," Dettelbach said.

Hartenstein in 1994 started Professional Benefits Association (PBA), a company that was a third-party administrator of healthcare plan benefits. It was located in Cuyahoga Falls and had a branch office in Austintown. Hartenstein was the majority owner, chief executive officer and chairman and secretary of its board of directors.

PBA had several clients that were companies which sponsored self-funded health care benefit plans for their employees. These companies hired PBA and paid it a fee to administer their benefit plans. Hartenstein knew PBA was required by law and by contract to establish individual segregated bank accounts for each of the client companies to hold, in trust, the funds the companies sent to PBA to pay claims from medical service providers, according to court documents.

From at least 2000 through 2010, Hartenstein caused, authorized and directed expenditures from PBA's operating account. Such expenditures included salaries and periodic bonuses to Hartenstein and PBA employees, payments to lease luxury cars and a country club membership Hartenstein used and an entertainment account Hartenstein used, according to court documents.

A PBA employee identified in the indictment only as L.W. began regularly depositing plan funds from the companies into the PBA operating account instead of depositing those funds into the companies' respective segregated trust accounts, as required by law and PBA's contracts with the companies. This improper comingling of funds was done with Hartenstein's knowledge, according to court documents.

Hartenstein learned in 2008 or earlier that PBA did not have sufficient funds to pay the medical service provider claims for which the companies had already provided funds in trust to PBA. When he learned of the shortfalls, Hartenstein directed PBA employees to withhold payments from service providers for increasing periods of time. Employees made up excuses for the delays at Hartenstein's direction, according to court documents.

Hartenstein did not inform the companies of the shortfalls. Instead, he directed PBA employees to divert funds to pay for other outstanding claims. He misled PBA clients about the status of payments and why claims had not been paid. At Hartenstein's direction, PBA employees made up false excuses for lack of payment to companies or falsely claimed payment had been made, according to court documents.

According to court documents, the health benefit plans that Hartenstein defrauded were for the following organizations: Guyan International, Inc. dba the Permco (\$501,380); Pritchard Mining Company, Inc. (\$435,837); Hocking Athens Perry Community Action (\$384,574); O'Bleness Memorial Hospital (\$91,877); Precision Gear (\$54,612); Lordstown Schools (\$32,835) and the Joseph Badger Local Schools (\$29,357).

This case is being prosecuted by Assistant U.S. Attorney Rebecca Lutzko following an investigation by the United States Department of Labor, Employee Benefits Security Administration, Cincinnati regional office and the Office of Inspector General

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