

# PRESS RELEASE

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## For Immediate Release

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Madison, Wisconsin -- Erik C. Peterson, United States Attorney for the Western District of Wisconsin, announced that Thomas Arthur Lutz, DOB 04/24/1967, of Olongapo City, Republic of the Philippines, pleaded guilty today in U.S. District Court in Madison, Wisconsin to defrauding the federal TRICARE program.

TRICARE, formerly known as CHAMPUS, is the Department of Defense's worldwide health care program for active duty and retired uniformed services members and their families. The charges were brought in the Western District of Wisconsin because Wisconsin Physicians Service, the fiscal intermediary which processed and paid these alleged fraudulent claims, is located in Madison, Wisconsin which is in the Western District of Wisconsin.

Lutz pleaded guilty to Count 33 of an Indictment that charged him with participating in a conspiracy with Health Visions Corporation ("HVC") and a physician in the Philippines to double bill TRICARE and kickback the inflated payments to HVC. As part of today's plea hearing, Lutz stipulated, under oath, to a statement of facts that indicated, among other things, the following:

1. In August 1998, Thomas Lutz, in his capacity as the Administrator of

HVC, met with representatives at a medical center in Olongapo City. During that meeting, Lutz offered to refer HVC patients to the medical center if HVC would receive a 50% discount. When the representatives balked at the size of the discount, Lutz instructed the medical center representatives to inflate their bills by 100% and pay the inflated amount to HVC.

Lutz wrote out on a piece of paper how two bills should be prepared for every HVC patient; one bill should be the real bill, the second bill should be the inflated bill with every line item doubled in price. In exchange for this arrangement, Lutz promised that the medical center would become a preferred provider for HVC patients and would receive immediate payment for services provided to HVC patients.

2. On or about October 1, 1998, Lutz had another meeting with the same representatives at the medical center. At this meeting, he produced a letter on HVC letterhead, dated October 1, 1998, to the medical center. The letter detailed an agreement between HVC and the medical center where HVC agreed to refer its patients to the medical center in exchange for "a rebate of 50% back to Health Visions Corp. . . . The rebate will be paid to Health Visions Corp. immediately after payment received by the [medical center]." The letter is signed by Thomas Lutz as the Administrator for HVC.

3. The arrangement between HVC and the medical center lasted from October 1, 1998 to June 20, 2000. During this time frame, HVC submitted to Wisconsin Physicians Service (WPS), a TRICARE subcontractor in Madison, Wisconsin,

approximately 105 claims involving HVC patients who received medical care at the medical center.

4. HVC employed billers who prepared the claims submitted to TRICARE. HVC instructed its billers to inflate the amounts listed on the hospital bills by at least 233% when entering the numbers on the TRICARE claim.

5. HVC also instructed its billers to hide denied medications on a hospital bill by moving those costs to “professional fees” on the TRICARE claim.

6. HVC also instructed its billers to create false documentation to backup fake medical diagnoses that were not on the hospital bills, but would be added to the TRICARE claims. This false documentation included fake letters with pasted on letterhead and doctor signatures.

7. HVC directed WPS to send the payments for all the TRICARE claims to a lockbox account in the name of HVC at Bank of America in Columbia, Missouri. When the account reached over \$1,000,000, Lutz's brother directed Bank of America in Missouri to wire transfer funds from the HVC account at Bank of America to an HVC bank account at United Cocoa Planters Bank in Manila, in \$1,000,000 increments.

8. During the years 1998 through 2004, WPS paid over \$163,380,648 in total TRICARE claims submitted by HVC. Of this amount, approximately \$144,618,061 came from third-party billing by HVC, and \$18,762,587 came from direct billing from HVC-owned hospitals.

Chief U.S. District Judge Barbara B. Crabb scheduled sentencing for March 13,

2007, at 1:00 p.m. Lutz faces a statutory maximum penalty of five years in prison, a \$250,000 fine, and three years of supervised release after serving his prison term.

The charges against Lutz were the result of an investigation conducted by the Department of Defense Office of Inspector General -Defense Criminal Investigation Service, and the U.S. Postal Inspection Service. Also assisting were agents in the Philippines with the U.S. Naval Criminal Investigation Service, and Regional Security Officers with the U.S. State Department Diplomatic Security Service. The prosecution of the case has been handled by Assistant U.S. Attorneys Peter M. Jarosz and Daniel J. Graber.

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