



NEWS RELEASE

Office of the United States Attorney
Eastern District of Texas

FOR IMMEDIATE RELEASE

DATE: March 11, 2004

Contact: Duncan Woodford

Public Information Officer

(409) 839-2538

EAST TEXAS HEALTH CARE ARRESTS

(Texarkana, Texas) A group of six Texarkana podiatrists, and a registered nurse have been indicted on charges of federal racketeering and health care fraud. Additional obstruction of justice charges have been filed against one of the podiatrists and two of his assistants. A federal Grand Jury in Sherman has returned a 134-count indictment naming **JAMES NAPLES, FREDERICK DAY, GLENN FEEBACK, PHILIP HAHN, GREGG PETTY, JOHN WHITE, LINDA VELVIN, CYNTHIA CAPPS, SHANNON RICHARDSON,** and **NEW BOSTON GENERAL HOSPITAL** as defendants.

According to court documents, the charges stem from a conspiracy formed by the charged doctors whose purpose was to defraud Medicare, Medicaid and private insurance companies over the last few years. It is alleged that Naples, New Boston General Hospital (NBGH), which Naples co-owned and controlled, Linda Velvin, a RN, and two unindicted co-conspirators, Nicholas Bachynsky, M.D. and Joseph Greenspan M.D., (now deceased), billed Medicare and private insurers and received payments for treating cancer patients at NBGH. Instead of providing conventional cancer treatment, Naples allegedly treated patients with an experimental and non-approved treatment commonly known as DNP, (2,4-dinitrophenol), which is a Class V poison used in pesticides and wood preservatives, then billed Medicare and Medicaid for the

--more--

Health Care Arrests

March 11, 2004

Page 2

treatment. As a Doctor of Podiatric Medicine, Naples is unqualified to treat cancer patients because it is beyond the scope of his training and license.

It is also alleged that Naples and the other podiatrists, Day, Feeback, Hahn, Petty and White, conspired to submit claims to Medicare, Medicaid, Tricare and private insurers, for podiatric services. The six podiatrists received payments for the services they claimed to have provided when they allegedly were not present and allowed unsupervised podiatric residents to perform the tasks.

The indictment alleges that in furthering the conspiracy, each defendant engaged in acts of mail fraud, wire fraud and obstruction of justice. In particular, Naples, Capps, and Richardson are accused of conspiring to obstruct the investigation by means of bribery, falsifying or concealing documents, resisting Grand Jury subpoenas, intimidating witnesses, and perjury.

MATTHEW D. ORWIG, U.S. Attorney for the Eastern District of Texas, praised the cooperative effort of the FBI, Department of Health and Human Services Office of Inspector General, IRS Criminal Investigation, Food and Drug Administration, Defense Criminal Investigative Services, and Texas Attorney General's Office, "The cooperation of the federal and state agencies throughout this lengthy investigation made a significant difference in halting the illegal activities of these defendants. Their actions have jeopardized patient safety and defrauded the government. We will do all in our power to investigate and vigorously prosecute those who abuse our nations health care system."

PETER GALBRAITH, Supervisory Senior Resident Agent of the FBI Tyler Resident Agency, stated: "Healthcare Fraud has been a cancer on the American economy, draining vast sums of money which should be going to patient care. Through the use of the RICO prosecution in this matter, a technique usually reserved for mobsters and drug cartels, we intend to disrupt and dismantle the white collar criminal organization made up of doctors, lawyers, and other educated professionals."

--more--

Health Care Arrests

March 11, 2004

Page 3

"The defendants in this case callously preyed on vulnerable cancer patients. They showed little regard for patient safety, and instead focused on illegally maximizing their reimbursement from the Medicare program. After their scheme became known, these defendants brazenly obstructed a federal investigation," said Acting Principal Deputy Inspector General of the U.S. Department of Health and Human Services DARA CORRIGAN. "My office will continue to protect the integrity of the Medicare program by using effective oversight and aggressive enforcement when warranted."

Today's action sends a message to those who corruptly take advantage of the Medicare system. The Office of Inspector General, Dallas Regional Office will continue to work aggressively with the FBI and other federal law enforcement agencies to eliminate this type of corruption in our health care system, " said Special Agent in Charge, TIM MENKE, from the U.S. Department of Health and Human Services Office of Inspector General.

MIKE LACENSKI , Special Agent in Charge of the Dallas Field Office of IRS Criminal Investigation, said, "To combat healthcare fraud, IRS Criminal Investigation provides financial investigative expertise to multi-agency task forces, where we follow the money trail from the crime to the culprit. IRS Special Agents investigate the healthcare fraud and resulting tax crimes committed by these individuals."

"With help from the Texas Legislature and federal authorities we will continue to strengthen our mission of making sure the Medicaid system is not bilked out of taxpayer dollars at the expense of patients who need medical care," said Attorney General Greg Abbott. "This enforcement action is the culmination of a long investigation. I am proud of my investigators and the teamwork all agencies have shown in working to protect the Medicaid system for all Texans."

In addition to the indictments of the nine individuals, prosecutors are seeking criminal forfeiture of various assets belonging to the defendants. Included in this list are New Boston General Hospital, Specialty Foot Clinic in Texarkana, El Dorado Foot Clinic in El Dorado, Arkansas, Regional Foot and Ankle Clinic in Texarkana,

Arkansas,

--more--

Health Care Arrests

March 11, 2004

Page 4

two other buildings in Texarkana and a Beechcraft airplane belonging to Naples.

It is important to note that an indictment is merely a charge and should not be considered as evidence of either innocence or guilt.

The FBI, Department of Health and Human Services Office of Inspector General, IRS Criminal Investigation, Food and Drug Administration, Defense Criminal Investigative Services, and Texas Attorney General's Office are investigating the case. Assistant U.S. Attorneys Wes Rivers and Randall Blake are prosecuting the case.

###