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UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

SOUTHERN DIVISION

STATE COMPENSATION INSURANCE FUND,

Plaintiff,

v.

MICHAEL D. DROBOT, SR., an individual; MICHAEL R. DROBOT, JR., an individual; HEALTHSMART PACIFIC INC., a California corporation; HEALTHSMART PACIFIC INC. d/b/a PACIFIC HOSPITAL OF LONG BEACH, a California corporation; LONG BEACH PAIN CENTER MEDICAL CLINIC, INC., a California corporation; INDUSTRIAL PHARMACY MANAGEMENT LLC, a California limited liability company; CALIFORNIA PHARMACY MANAGEMENT LLC, a California limited liability company; COASTAL EXPRESS PHARMACY, INC., a California corporation; LONG BEACH PRESCRIPTION PHARMACY, a California corporation; MEDS MANAGEMENT GROUP, LLC, a California limited liability company, and DOES 1 through 10, Inclusive,

Defendants.

Case No. **SACV13-00956 AG (CWx)**

COMPLAINT OF PLAINTIFF STATE COMPENSATION INSURANCE FUND FOR:

(1) FRAUD;

(2) 18 U.S.C. § 1962(c) (CIVIL RICO);

(3) 18 U.S.C. § 1962(d) (CIVIL RICO CONSPIRACY);

(4) RESTITUTION;

(5) UNFAIR COMPETITION (Bus. & Prof. Code § 17200);

AND

(6) RESCISSION

[JURY TRIAL DEMANDED]

Plaintiff State Compensation Insurance Fund ("State Fund") alleges as follows in this federal question action, over which this court has jurisdiction pursuant to 28 U.S.C. § 1331 and 28 U.S.C. § 1367(a).

SUMMARY OF ACTION

1. Defendants in this case conspired and participated in a scheme to defraud State Fund in connection with the submission and collection of fraudulent insurance bills for medical services, spinal implant hardware, medications, and other services (collectively, "Medical Services") under State Fund-issued policies of workers' compensation insurance.

2. In particular, Defendants: (a) formed and operated shell corporations and represented that these corporations were manufacturers of spinal hardware and billed as if these corporations did manufacture the spinal hardware, when they did not; (b) billed for services at substantially higher rates than are allowed under the Official Medical Fee Schedule ("OMFS"), which governs rates that may be charged for certain services rendered in workers' compensation cases, by, among other things, "upcoding" and "unbundling" items in their billings;[1] (c) billed at rates up to ten times the average rate for over-the-counter medication; (d) represented and billed nurses as assisting surgeons; (e) double-billed State Fund for radiology services; and (f) engaged in further conduct to conceal their various schemes, which were designed to, and did, induce State Fund to pay the fraudulent bills.

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[1] "Upcoding" is a practice of using medical treatment codes in the submission of insurance claims that represent a substantially higher billing price than the set amount for the actual services rendered. The practice can also, as it does here, involve "unbundling" services. Many procedures, such as surgeries, have an OMFS rate bundling together a number of necessary elements or pieces of equipment for the procedure. Instead of simply charging the bundled rate, the Provider Defendants here took particular items or steps involved in the procedure, and billed them separately, resulting in a significantly higher bill.

3. In so doing, defendants violated, among other laws, the Racketeer Influenced and Corrupt Organizations Act, 18 U.S.C. §§ 1961 *et seq.* ("RICO").

THE PARTIES

Plaintiff

4. State Fund is a self-supporting, non-profit public enterprise fund that was established by the California Legislature pursuant to California Insurance Code §§ 11770 *et seq.* State Fund provides workers' compensation insurance to California employers, with no financial obligation to the public, and is the largest provider of workers' compensation insurance in California.

Individual Defendants

5. Defendant Michael D. Drobot ("Drobot Sr."), is the owner and/or operation of some or all of the Company Defendants. On information and belief, Drobot Sr. is a resident of Corona Del Mar, CA.

6. Defendant Michael R. Drobot ("Drobot Jr."), on information and belief, is the son of Defendant Drobot Sr. and an owner and/or operator of some or all of the Company Defendants. On information and belief, Drobot Jr. is a resident of Orange County, CA.

Company Defendants

7. Defendant Healthsmart Pacific, Inc. is, and at all relevant times was, a California corporation, with its principal place of business at 2776 Pacific Avenue, Long Beach, CA 90806.

8. Defendant Healthsmart Pacific, Inc. d/b/a Pacific Hospital of Long Beach (hereinafter, along with Healthsmart, "Pacific Hospital") is, and at all relevant times was, a California corporation, and is a for-profit hospital that specializes in surgeries in general, and orthopedic and spinal surgeries in particular, with its principal place of business at 2776 Pacific Avenue, Long Beach, CA 90806.

9. Defendant Long Beach Pain Center Medical Clinic, Inc. ("Long Beach Pain") is, and at all relevant times was, a California corporation. Long Beach Pain,

on information and belief, has a physical location at 2760 Pacific Avenue, Long Beach, CA 90806, and is associated with Pacific Hospital of Long Beach. According to California Secretary of State records, Long Beach Pain headquarters are located at 20377 SW Acacia Street, Newport Beach, CA 92660.

10. Defendant Industrial Pharmacy Management, LLC ("IPM") is, and at all relevant times was, a California corporation. IPM's website states that IPM dispenses medications to patients in doctor's offices, and, according to California Secretary of State records, is also located at 20377 SW Acacia Street, Newport Beach, CA 92660. Upon information and belief, California Pharmacy Management LLC ("CPM") underwent a merger in or around 2009 and became IPM. According to California Secretary of State records, CPM is/was also located at 20377 SW Acacia Street, Newport Beach, CA 92660.

11. Defendant Coastal Express Pharmacy, Inc. ("Coastal"), is, and at all relevant times was, a California corporation. According to California Secretary of State records, Coastal is also located at 20377 SW Acacia Street, Newport Beach, CA 92660.

12. Defendant Long Beach Prescription Pharmacy, Inc. ("LBPP") is, and at all relevant times was, a California corporation. According to California Secretary of State records, LBPP is also located at 20377 SW Acacia Street, Newport Beach, CA 92660.

13. Defendant Meds Management Group, LLC ("MMG") is, and at all relevant times was, a California limited liability company. According to California Secretary of State records, MMG is also located at 20377 SW Acacia Street, Newport Beach, CA 92660.

14. State Fund is informed and believes, and thereon alleges, that at all relevant times, Defendants Drobot, Sr. and Drobot, Jr. (collectively, the "Individual Defendants") at all relevant times, owned, operated, either individually or jointly, and/or controlled Pacific Hospital and Long Beach Pain, as well as IPM/CPM,

Coastal, LBPP, and MMG (the "Pharmacy Defendants"). Pacific Hospital, Long Beach Pain, and the Pharmacy Defendants are referred to herein, where appropriate, as, collectively, the "Provider Defendants."

DOE Defendants

15. State Fund is unaware of the true names and capacities, whether individual, corporate, associate or otherwise, of those defendants named herein as DOES 1 through 10, inclusive. State Fund sues DOES 1 through 10 by fictitious names. State Fund will seek leave to amend this complaint to show their true names and capacities when the same have been ascertained. Said defendants are sued as principals, and all of the acts performed by them as agents, servants or employees were performed within the scope and course of their authority and employment. State Fund is informed and believes, and thereon alleges, that each of the fictitiously named defendants is responsible for the events, harm, and damages as alleged herein.

16. State Fund is further informed and believes, and thereon alleges, that each of the defendants was the co-conspirator of each and every other defendant and, in performing the acts herein alleged, was acting within the scope of such conspiracy, and that such actions were reasonably foreseeable to each of the other co-conspirators, and/or were taken with the express or implied consent of each of the other co-defendants.

17. The named and DOE defendants are collectively referred to as "Defendants."

JURISDICTION AND VENUE

18. This Court has subject matter jurisdiction over this action pursuant to 28 U.S.C. § 1331 because it arises under 18 U.S.C. § 1961 *et. seq.*, the Racketeering Influenced and Corrupt Organizations Act ("RICO"). This Court has supplemental jurisdiction over State Fund's state law claims under 28 U.S.C. § 1367(a).

19. Venue is proper in the Central District of California under 28 U.S.C. § 1391, because all or almost all Defendants reside in this District, and a substantial portion of the events or omissions giving rise to the claims herein occurred in this District. Venue is proper in the Southern Division because, based on information from the California Secretary of State and other sources, a majority of Defendants reside in this Division, and Plaintiff State Fund has an office in Santa Ana.

GENERAL ALLEGATIONS

Background Facts Regarding State Fund And Its Claims Process

20. State Fund provides workers' compensation insurance policies to employers, under which medical treatment and indemnity benefits are provided to employees who are injured or become ill during the course of employment or due to employment-related injury. In California, every employer is required to carry insurance to cover the cost of occupational injuries and illnesses.

21. State Fund pays medical providers for Medical Services provided to covered workers. Medical Services, as the term is used herein, include spinal fusions, spinal implants, other spinal surgeries, and a wide variety of other medical procedures and services. State Fund also pays medical providers for prescription drugs supplied to injured workers.

22. In order to receive reimbursement from State Fund for Medical Services, providers submit a Health Insurance Claim Form to State Fund. The Health Insurance Claim Form provides, among other things, warning language that any person who knowingly files a statement of claim containing any misrepresentation or any false, incomplete or misleading information may be guilty of a criminal act punishable under law and may be subject to civil penalties, or words to that effect.

23. State Fund does not knowingly pay for fraudulent bills, including: (a) bills for office visits or Medical Services not received; (b) bills for unnecessary Medical Services; (c) bills that are the product of a provider's employment of

runners, cappers, or steerers to solicit or obtain patients for the medical provider; or (d) bills that are "upcoded" – that is, billing for a more complex service than the provider performed; and (e) bills that are "unbundled" – that is, bills that break out and individually charge for all items and elements comprising a service or treatment at much higher separate rates, instead of using approved codes and attendant rates covering the entire procedure. *See supra* note 1. The last two methods are designed to evade the amounts set for procedures authorized by the OMFS and other guidelines, to which State Fund attempts to adhere.

24. Particular procedures performed by medical providers are governed by an OMFS, pursuant to Title 8, Article 5.5, Sections 9790 *et seq.* of the California Code of Regulations. The OMFS was promulgated by the Administrative Director of the Division of Workers' Compensation to rein in medical costs. The OMFS ties provider reimbursement to a multiplier of Medicare's rates for the same service.

25. State Fund is generally required to pay all bills within a relatively short statutory period of time pursuant to the California Labor Code and attendant regulations, or face large penalties, with some exceptions. As such, State Fund has a limited ability to review each bill and corresponding claim prior to paying within the requisite time period. The schemes described in this Complaint are not readily apparent upon the face of the bills, and Defendants have actively sought to conceal their various schemes. This, along with the fact that State Fund is the largest workers' compensation carrier in California, and given the sheer volume of bills State Fund processes on a daily basis, makes detection of this fraudulent behavior extremely difficult.

26. At all times relevant to the Complaint, medical providers submitted insurance bills to State Fund manually (on paper) through the United States mail and/or electronically through the use of interstate wires. For each claim submitted, State Fund would send an explanation of benefits ("EOB") and/or related

correspondence to the provider via the United States mail and/or wires. State Fund also reimbursed providers by sending payment through the United States mail.[2]

Background Allegations on Defendants' Operations

27. Pacific Hospital is owned and run by Drobot Sr., who, on information and belief, purchased the hospital in 1997 and shifted its focus to spine care for workers' compensation patients. On information and belief, Pacific Hospital specializes in spinal surgeries, including spinal fusions and spinal implants. On information and belief, Pacific Hospital has performed over 5,000 spinal fusions on workers' compensation patients in the last ten years.

28. Since 2001, State Fund has paid Pacific Hospital at least $141 million for services purportedly rendered by Pacific Hospital pursuant to its workers' compensation policies. This includes at least 16,490 bills for services, including spinal surgery and implants. State Fund has also paid over $20 million to the Pharmacy Defendants. Upon information and belief, State Fund is one of the largest victims of Defendants' unlawful behavior.

29. State Fund has been damaged in that it has paid the Provider Defendants for these procedures, Medical Services, and prescriptions. State Fund would not have paid the Provider Defendants had it known of Defendants' fraud and other wrongdoing.

30. State Fund is informed and believes, and thereon alleges, that the individual Defendants engaged in the following schemes to defraud (broken out by subheading for clarity and ease of reading). This information is based on State Fund's review of bills and internal reports, which was prompted by the recently reported service of federal warrants on Pacific Hospital's and IPM's offices in April

[2] Senate Bill No. 863, effective this year, also provides for a system of electronic billing, using the wires of the United States through Internet connections.

2013 (see section below titled "State Fund Uncovers Defendants' Well-Concealed Fraud").

Defendants' Fraudulent Scheme re: Spinal Implants/Surgeries (Pacific Hospital, Individual Defendants)

31. From 1997 to the present, State Fund paid out at least $15.2 million on bills for spinal surgery from Pacific Hospital. On information and belief, the spinal implant/surgery claims Pacific Hospital submitted to State Fund were fraudulent.[3]

32. Under California law, a hospital may not bill more than $250.00 over documented cost (plus any sales tax and/or shipping and handling charges actually paid) for "implantable medical devices, hardware and instrumentation..." Cal. Code Regs. § 9789.22(f). This section covers spinal implants.

33. To evade California law and to defraud State Fund, the Individual Defendants established shell entities, and held them out as manufacturers of spinal hardware. The Individual Defendants and Pacific Hospital then arranged to acquire spinal hardware from the shell entities at fraudulently excessive costs. The fraudulently excessive costs were billed to State Fund. Defendants knew the fraudulent invoices did not reflect the actual or reasonable cost of the implants, which was significantly lower.

34. For example, in or around August of 2007, on information and belief, the Individual Defendants formed a company called International Implants, one of the entities used by Defendants in furtherance of this scheme. The Individual Defendants represented International Implants as being a manufacturer of spinal implants. Such a manufacturer must be registered with the United States Food and

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[3] State Fund reserves the right to amend its complaint to add additional claims and increased damages if material is uncovered in discovery or through expert analysis. State Fund continues to investigate the more than $141 million in payments to Pacific Hospital since 2001; additional amounts may be allocable to spinal implants and surgeries.

Drug Administration ("FDA"). State Fund, pursuant to its investigation, discovered that the FDA lists International Implants as a "repackager," not a manufacturer.

35. This particular scheme centers on a scheduled surgery for implants where Pacific Hospital "orders" various implants from International Implants. International Implants then sends an invoice for the hardware to Pacific Hospital who then bills State Fund for the invoice amount, plus $250.00, pursuant to the Regulations cited above.

36. State Fund then, as a matter of course, generally requests a copy of the hardware invoice to ensure that it is being billed correctly. Pacific Hospital then produces the International Implants invoice to justify the billing. In reality, the price on the invoice is not the cost, but is significantly inflated. Indeed, according to many such invoices, the date of delivery of the implanted device is actually after the date of the surgery for which it was allegedly purchased.

37. On information and belief, based on State Fund's bill review, International Implants provided around 75% of the spinal implants that Pacific Hospital billed to State Fund since International Implants' formation. As Defendants knew and intended, International Implants fraudulently charged excessive prices for its spinal implants. State Fund relied on Defendants' claims and invoices.

38. On information and belief, the fraudulent claims submitted by Defendants contained false statements, namely: (1) that the alleged cost of Medical Services and supplies provided to covered workers was the actual or reasonable cost of such services and supplies; and/or (2) that the alleged Medical Services and supplies provided to covered workers was medically reasonable or necessary. On information and belief, the Defendants each knew or believed that these statements were false, and made the false statements to induce State Fund to grossly overpay for the medical services and supplies it provided.

39. On information and belief, the Individual Defendants were responsible for devising the fraudulent scheme, and received and controlled profits from it. State Fund is informed and believes, and thereon alleges that the Individual Defendants conducted periodic meetings with medical professionals, staff, and other employees of the fraudulent providers in order to give direction and oversee the fraudulent overbilling scheme. The following examples (and predicate acts of RICO violations) are taken from State Fund's investigation (see section below titled, "State Fund Uncovers Defendants' Well-Concealed Fraud").

40. On or shortly after April 16, 2009, in violation of 18 U.S.C. § 1341, Pacific Hospital, the Individual Defendants, and International Implants used the United States mails in furtherance of their scheme to defraud.

a. On or shortly after April 16, 2009, Pacific Hospital submitted a bill to State Fund (Claim #1314472; BDM #8912289) via the U.S. Postal Service for, among other things, spinal implants purportedly implanted on or about April 16, 2009. Pacific Hospital billed the spinal implants at $138,304, which Pacific Hospital and other Defendants knew to misrepresent the actual and reasonable cost of the implants, which was significantly lower.

b. On or shortly after April 16, 2009, International Implants provided State Fund via U.S. Postal Service with a purchase order in support of the $138,304 spinal implant bill. Pacific Hospital, the Individual Defendants, and International Implants each knew and intended that the submitted purchase order misrepresented the actual and reasonable cost of the implant. Pacific Hospital, the Individual Defendants, and International Implants created and provided the purchase order in order to induce State Fund to overpay for spinal implants.

c. State Fund reasonably relied on the misrepresentations in Pacific Hospital's claim and on the misrepresentations in purchase order in issuing payment on the bill of at least $69,402.00. As Pacific Hospital, the Individual Defendants,

and International Implants knew and expected, payment which was delivered via the U.S. Postal Service.

41. On or shortly after May 12, 2011, in violation of 18 U.S.C. § 1341, Pacific Hospital, the Individual Defendants, and International Implants used the United States mails in furtherance of their scheme to defraud.

a. On or shortly after May 12, 2011, Pacific Hospital submitted a bill to State Fund (Claim #159642; BDM #15707744) via the U.S. Postal Service for, among other things, spinal implants purportedly implanted on or about May 12, 2011. Pacific Hospital billed the spinal implants at $55,536, which Pacific Hospital, the Individual Defendants, and International Implants knew to misrepresent the actual and reasonable cost of the implants, which was less than half of the invoiced value.

b. On or shortly after May 12, 2011, International Implants provided State Fund via U.S. Postal Service with a purchase order in support of its $55,536 spinal implant bill. Pacific Hospital, the Individual Defendants, and International Implants each knew and intended that the submitted purchase order misrepresented the actual and reasonable cost of the implant. Pacific Hospital, the Individual Defendants, and International Implants created and provided the purchase order in order to induce State Fund to overpay for the spinal implants.

c. State Fund reasonably relied on the misrepresentations in Pacific Hospital's claim and on the misrepresentations in purchase order in issuing payment on the claim of at least $50,762.93. As Pacific Hospital, the Individual Defendants, and International Implants knew and expected, payment was delivered via the U.S. Postal Service.[4]

[4] Additional material will be provided pursuant to appropriate protective measures. Moreover, the referenced Defendants engaged in overbilling practices – including upcoding and uncoupling – on spinal surgeries and procedures as well, as

Defendants' Fraudulent Kickback Scheme (Pacific Hospital, Individuals)

42. Upon information and belief, Pacific Hospital paid, or caused to be paid, fees to physicians for referring patients to Pacific Hospital and certain affiliates. Such referral fees are illegal under California and federal law. Once referred, the matters could be overbilled in the manner set forth above.

43. On information and belief, Pacific Hospital paid the illegal referral fees with proceeds from the fraudulently excessive spinal implant and other fees it charged insurers, including State Fund. This illegal scheme allowed Pacific Hospital to acquire additional patients, while defrauding State Fund.

44. On information and belief, the Individual Defendants were responsible for devising the fraudulent scheme, and received and controlled profits from it. State Fund is informed and believes, and thereon alleges that the Individual Defendants conducted periodic meetings with medical professionals, staff, and other employees of the fraudulent providers in order to give direction and oversee the fraudulent kickback scheme.

All Defendants' Fraudulent Scheme To Overbill Services and Prescriptions

45. As noted, procedures performed by providers are governed by an OMFS, pursuant to Title 8, Article 5.5, Sections 9790 *et seq.* of the California Code of Regulations. Where applicable, State Fund generally pays for a particular procedure billed by a provider at the rate authorized by the OMFS and other regulations.

46. The Provider Defendants generated substantial bills by "upcoding" claims and billing double or triple the OMFS-approved rate for services. The Provider Defendants represented that higher and more complex services were

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described generally in the next section (and with a particular example at paragraph 50, *infra*).

provided than actually were and represented that codes with higher billing rates were justified when, in fact, they were not. As shown below, Pacific Hospital was the main Defendant Provider of non-pharmaceutical services, and the Individual Defendants, owners and/or operators of Pacific Hospital, supervised the scheme and reaped the profits, on information and belief.

47. The Provider Defendants have also repeatedly submitted bills to State Fund with "unbundled" services. Depending on the procedure, a surgical procedure's rate often "bundles" elements such as surgical gloves, trays, and other equipment. Provider Defendants billed for the surgical procedure, which included the surgical gloves, trays, and other equipment as part of the overall cost of the procedure, and also billed State Fund individually for the individual elements or pieces of equipment involved in performing the procedure. This substantially increases the billed amounts. Again, as shown below, Pacific Hospital was the main Provider Defendant of non-pharmaceutical services, and the Individual Defendants, owners and/or operators of Pacific Hospital, supervised the scheme and reaped the profits, on information and belief.

48. Therefore, when providing bills to State Fund, the Provider Defendants provided State Fund with fraudulent invoices. Defendants knew the fraudulent invoices did not reflect the actual or reasonable cost of the services by "upcoding," "unbundling," and the spinal surgery/services schemes detailed herein. By doing so, Defendants represented that the services they rendered justified a higher billing than was appropriate. Pacific Hospital engaged in this practice with respect to surgeries, implants and other services; the "Pharmacy Defendants" (IPM/CPM, Coastal, LBPP, and MMG) engaged in fraudulent invoicing with respect to prescriptions, with more particular allegations below. The Individual Defendants, who, on information and belief, continue to own and/or direct the Pharmacy Defendants, supervised the scheme and reaped the profits.

49. When State Fund receives a bill that is upcoded, unbundled, or overbilled, State Fund generally pays the OMFS rates for that procedure; and indicates to the billing provider that if it disagrees with the amount of the payment, to send additional documentation to support that the services rendered were above and beyond what is normally provided for the particular treatment (and upon which the rates are based). Despite such requests, the Provider Defendants typically did not (and do not) submit any additional documentation to justify the excess billing. Instead, Provider Defendants routinely filed liens against State Fund with the Workers Compensation' Appeals Board ("WCAB") and then sought (and continue to seek) to collect for the balance of the amount billed ("Liens").[5]

50. For example, Pacific Hospital submitted a bill for a spinal procedure allegedly performed at Pacific Hospital on June 14, 2012. State Fund paid, following the appropriate fee schedules, a total of $90,063.36 and provided an EOB explaining why this amount was paid, and invited additional documents in the event of a dispute. The total bill of $236,683.10 included inappropriate unbundled and excess charges. Pacific Hospital did not provide any further documentation, but filed a lien for the difference at the WCAB (plus penalties and interest of over $32,000.00). The only explanation offered was that State Fund had not approved an extended six-additional-day hospital stay for which Pacific Hospital had inexplicably billed at over $18,000.00 per day.

[5] State Fund does not assert that the procedure of filing Liens before the WCAB constitutes independently actionable fraud – the fraud is the attempt to collect more for services than the authorized rate. However, the lien process helps to conceal the fraud and puts additional pressure on State Fund to settle such claims quickly, whether or not a proper investigation can take place. Accordingly, State Fund asserts a claim for rescission of certain settlements for fraudulent claims involving Liens in its sixth cause of action, below.

51. The Pharmacy Defendants were also a part of the overbilling scheme. From 2002 to the present, the Pharmacy Defendants have billed over half a million prescription drugs to State Fund. State Fund has paid out well over $20 million to these Defendants based on these bills.

52. According to the recent bill runs and State Fund's investigation, State Fund was overbilled by the Pharmacy Defendants (IPM/CPM, Coastal, LBPP, and MMG) for drugs and compounds such as gabaketoprofen, capsaicin, omeprazole, and glucosamine chondroitin, often related to claimants treated at Pacific Hospital.

53. Specifically, the Pharmacy Defendants engaged in a massive overbilling scheme whereby they billed up to ten times the price of basic-over-the-counter medication. Excessive amounts were charged for tablets, and occasionally, the same provider billed the same prescription twice on the same day.

54. For example, State Fund found that IPM consistently billed $3.50 for 20 mg of omeprazole (an antacid) per tablet. Omeprazole is available, over the counter, for approximately $0.40 per tablet.

55. More recently, the Pharmacy Defendants have begun billing for compound mediations as well, which are generally topical creams that contain more than one drug in the ingredients. Current fee schedules and guidelines do not take into account these compound medications, so the Pharmacy Defendants have consistently billed the entire costs of these medications based on the highest-priced drug in the combination, even if that drug represents the smallest percentage (for example, 10% or less) of the total ingredients.

56. State Fund reasonably relied on Defendants' fraudulent bills and invoices for the services and prescriptions. Based on State Fund's review of billing runs and particular bills, the bills submitted by Defendants contained false statements, namely: (1) that the alleged cost of Medical Services and supplies provided to covered workers was the actual or reasonable cost of such services and supplies; and/or (2) that the alleged Medical Services and supplies provided to

covered workers was medically reasonable or necessary. On information and belief, Defendants each knew that these bills were false, and made the false statements to induce State Fund to grossly overpay for the Medical Services provided.

57. On information and belief, the Individual Defendants were responsible for devising the fraudulent scheme, and received and controlled profits from it. State Fund is informed and believes, and thereon alleges that the Individual Defendants conducted periodic meetings with medical professionals, staff, and other employees of the fraudulent providers in order to give direction and oversee the fraudulent overbilling scheme.[6]

Fraudulent Scheme Re: Nurse Billing (Pacific Hospital, Individuals)

58. At Pacific Hospital, a Registered Nurse First Assistant ("RNFA") is provided during all or almost all surgeries. However, Pacific Hospital has, based on State Fund's review and its information and belief, a pattern and practice of billing RNFAs as "assistant surgeons" at a substantially higher rate.

59. For example, State Fund Claim Number 05597226 (date of surgery November 12, 2010), Claim Number 05465550 (date of surgery July 27, 2011), and Claim Number 5619232 (date of surgery October 13, 2011) represent spinal fusion surgeries at Pacific Hospital. For each of these surgeries, Pacific Hospital billed State Fund for the professional services of an assistant surgeon who allegedly assisted during the surgery. State Fund's investigation uncovered that a RNFA actually assisted, but was billed at the substantially higher assistant surgeon rate.

60. On information and belief, the Individual Defendants were responsible for devising the fraudulent scheme, and received and controlled profits from it. State Fund is informed and believes, and thereon alleges that the Individual Defendants conducted periodic meetings with medical professionals, staff, and other

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[6] Information and invoices in addition to those referenced herein will be provided pursuant to appropriate protective measures.

employees of the fraudulent providers in order to give direction and oversee the fraudulent overbilling scheme.

Defendants' Duplicate Billing re: Radiology Services (Long Beach Pain, Individual Defendants)

61. State Fund's review uncovered that Long Beach Pain uses outside radiology services on numerous occasions. These services are generally billed to State Fund by the outside vendor. One such example is that in a sampling of services provided by Saddleback Portable X-Ray ("Saddleback") for spinal X-Rays, Long Beach Pain billed for the same technical component as Saddleback, resulting in a duplicate billing. Because these billings are submitted by two wholly different entities, it is very difficult for State Fund to catch this duplication within the short period of time it has to pay providers.

62. As specific examples, the same-service bills were received from Long Beach Pain and Saddleback on State Fund Claim Number 01341571 (date of service July 15, 2011), Claim Number 199038 (date of service June 3, 2011), and Claim Number 01094149. This pattern has continued since at least 2007, and Long Beach Pain continues, through this date, to bill for services rendered by another provider and paid to that provider.

63. On information and belief, the Individual Defendants were responsible for devising the fraudulent scheme, and received and controlled profits from it. State Fund is informed and believes, and thereon alleges that the Individual Defendants conducted periodic meetings with medical professionals, staff, and other employees of the fraudulent providers in order to give direction and oversee the fraudulent duplicate billing scheme.

State Fund Uncovers Defendants' Well-Concealed Fraud

64. Defendants have concealed the fraudulent schemes from State Fund by submitting the same or similar bills for procedures and materials over the course of years. Defendants never indicated that they had inflated the costs of procedures or

materials in their bills to State Fund. Defendants continued to represent that they were billing State Fund for their actual and reasonable costs.

65. Provider Defendants also filed Liens at the WCAB on the basis of their fraudulent bills, similarly contending before the WCAB that the bills were legitimate and that Provider Defendants were legally entitled to full payment.

66. As noted, the workers' compensation system provides for, among other things, accelerated treatment and submission and payment of bills, and in certain circumstances, penalties against an insurer when payment of a bill is delayed. State Fund's limited resources as a public enterprise fund and non-profit state agency, and massive number of bills received each day make the early detection of fraud, especially on a large scale, difficult if not impossible. In short, State Fund had no reasonable opportunity to investigate Defendants' individual bills or the schemes as a whole, and no reason to suspect the extent and systemic nature of the fraud conducted by the Defendants.

67. On April 5, 2013, as reported by numerous publications and media outlets, the corporate offices of Pacific Hospital and IPM were served with search warrants by federal and state authorities, including but not limited to the United States Postal Services, the Federal Bureau of Investigation, the Internal Revenue Service, the investigatory arm of the United States Department of Defense, and the California Department of Insurance. The search warrants remain under seal in this Court, so that State Fund still does not know the details of them.

68. On the basis of these reports, State Fund has conducted (and continues to refine) an in-depth review of billings from and payments to the various provider Defendants, including reviews of ownership structure, control by the Individual Defendants, and patterns of claims.

69. State Fund has discovered the various fraudulent schemes as described above. These schemes are extensive and go far beyond the traditional relationship of providers and insurers in the workers' compensation system. Given the mass of

data, State Fund's investigation is continuing. Defendants' billings demonstrate a systematic course of conduct to defraud State Fund, in violation of the core purpose of the workers' compensation system, the quick and efficient treatment of injured workers. Defendants' fraudulent schemes make health care more expensive and less efficient for workers' compensation claimants, and negatively impact honest providers.

70. State Fund's investigation also led it to review certain settlement agreements State Fund entered with Defendants related to Liens Defendants brought before the WCAB based on its billings to State Fund, as detailed in the sixth cause of action, below. State Fund was unaware of the true facts when it entered the settlement agreements with the Defendants named therein. Had Defendants disclosed the true facts about the liens and underlying billings, State Fund would have not entered the settlement agreements.

71. State Fund was induced by the foregoing fraudulent schemes to enter into settlement agreements with certain of the Defendants on various dates, including but not limited to April 20, 2004, September 1, 2009, August 25, 2010, and May 19, 2011 (the "Group Settlements"). Out of an abundance of caution, State Fund will file the Group Settlements under seal according to an appropriate protective order, assuming that the affected Defendants wish to claim that the settlements are confidential. State Fund employees and attorneys were also fraudulently induced to enter into other settlements, in an aggregate amount to be ascertained at trial.

72. Accordingly, these settlement agreements were induced by these same fraudulent schemes and practices as described above, and State Fund therefore requests rescission of the agreements in its sixth cause of action, below.

FIRST CAUSE OF ACTION

(Fraud)

(Against All Defendants)

73. State Fund incorporates by reference the allegations in paragraphs 1 through 72 of this Complaint as though fully set forth herein.

74. As alleged in detail above, Defendants made material misrepresentations to State Fund, and concealed and/or suppressed material facts from State Fund. Such misrepresentations included false billings for spinal implants, spinal surgeries and other procedures, and medications. Defendants also made misrepresentations and concealed facts with the intent that State Fund not discover its fraudulent schemes.

75. The misrepresentations and omissions by Defendants were material and were false and misleading, and Defendants knew they were material and were false and misleading at the time they were made, or, at a minimum, acted with reckless disregard for the truth or falsity of the representations or omissions.

76. Defendants misrepresented, concealed and/or suppressed these facts with the intent to influence the actions of State Fund, including intending to have State Fund pay the fraudulent billings, as well as to stop any investigation of the challenged practices.

77. State Fund reasonably and justifiably relied to its detriment on Pacific Hospital's misrepresentations. At the time State Fund acted, State Fund was unaware of the concealed or suppressed facts and would have acted differently if it had known the true facts. In particular, State Fund would not have paid Defendants' claims, and State Fund would have contested Defendants' false billings.

78. As a direct and proximate result of Defendants' misrepresentations, State Fund suffered damages in an amount to be proven at trial, but in an amount not less than the monies paid to Defendants because of their fraudulent schemes with respect to spinal implants, prescriptions, and overbilling.

79. In making the above-referenced false statements, Defendants acted with a conscious disregard for the rights of State Fund, and thus are guilty of oppression, fraud and malice pursuant to California Civil Code § 3294. State Fund is entitled to recover punitive damages from Defendants in an amount to be proven at trial. As noted in the sixth cause of action, State Fund is also entitled to rescission of the settlement agreements based on this fraud, and to have all amounts State Fund paid pursuant to them returned to State Fund, with interest.

SECOND CAUSE OF ACTION

(Civil RICO 18 U.S.C. § 1962(c))

(Against All Defendants)

80. State Fund incorporates by reference the allegations in paragraphs 1 through 72 and 74 through 79 of this Complaint as though fully set forth herein.

81. Section 1962(c) of Title 18 of the United States Code prohibits any person from conducting an enterprise or participating in the conduct of an enterprise's affairs through a pattern of racketeering activity. Section 1964(c) of Title 18 provides that "[a]ny person injured in his business or property by reason of a violation of section 1962 . . . may sue therefor in any appropriate United States district court." State Fund has been injured in its business and property by Defendants' violation of section 1962.

82. As alleged herein, Defendants engaged in a pattern of racketeering activity, the activities of which affect interstate and foreign commerce. State Fund is, on information and belief, one of many victims of Defendants' racketeering activity.

83. Each of the entity Defendants was an "enterprise" within the meaning of 18 U.S.C. § 1961(4), and together with the Individual Defendants formed an association-in-fact enterprise, engaged in the business of providing medical services; medical hardware, and ancillary services to workers under workers' compensation

insurance policies (the "Fraudulent Provider Enterprise"). All Defendants are "persons" within the meaning of 18 U.S.C. § 1961(3).

84. The Individual Defendants and each of the Fraudulent Providers conducted and participated, directly and/or indirectly, in the conduct of the affairs of the Fraudulent Provider Enterprise through a pattern of racketeering activity consisting of two or more predicate acts, in furtherance of the fraudulent scheme in violation of 18 U.S.C. §1341.

85. In the course of, and in furtherance of, this racketeering activity and the enterprise, the Fraudulent Provider Enterprise submitted or caused to be submitted to State Fund thousands of fraudulent bills for Medical Services and supplies. The thousands of fraudulent claims submitted by the Fraudulent Provider Enterprise contained false statements, namely: (1) that the allegedly cost of Medical Services and supplies provided to covered workers was the actual or reasonable cost of such services and supplies; and/or (2) that the Medical Services and supplies provided to covered workers was medically reasonable or necessary. The Defendants each knew or believed that these statements were false. The Fraudulent Provider Enterprise made the false statements to induce workers' compensation insurers, including State Fund, to grossly overpay for the Medical Services and supplies it provided.

86. In the course of and in furtherance of this racketeering conduct and the Fraudulent Provider Enterprise, Defendants participated, directly and/or indirectly, in the conduct of the affairs of the Fraudulent Provider Enterprise, including committing mail fraud in violation of 18 U.S.C. § 1341 and wire fraud in violation of 18 U.S.C. § 1343, by using interstate mail and wires to such submit fraudulent claims on thousands of occasions via the U.S. Postal Service or common carrier, phone, Internet, e-mail, and fax. Specific examples of predicate acts are provided in paragraphs 27 through 63 above. These acts also caused State Fund to place

payment for such claims in the United States mail, or use the wires to electronically distribute them.

87. Defendants also used, and caused to be used, the United States mail and wires, and continue to use the United States mail and wires, to submit correspondence and other documents to State Fund in support of the Fraudulent Provider Enterprise, including communications designed to conceal the existence of the fraud, and including communications designed to induce State Fund to enter into settlement agreements involving provider Liens.

88. Defendants performed these acts with knowledge that the use of the United States mail and/or wires would follow, in the ordinary course of business.

89. As a result of Defendants' violation of 18 U.S.C. § 1962(c), Defendants proximately caused State Fund to suffer substantial injury to both its business and property, including, without limitation, sums State Fund paid to the Fraudulent Providers in connection with the Fraudulent Provider Enterprise's frauds, as well as other out-of-pocket costs and related expenses.

90. As a direct and proximate result of Defendants' racketeering activity, and their predicate acts, State Fund suffered damages in an amount to be proven at trial.

91. State Fund is further informed and believes, and thereon alleges, that Defendants have been unjustly enriched by predicate acts and RICO violations, and that this Court should award disgorgement of such unjust enrichment as a further remedy to achieve substantial justice between the parties, plus interest.

92. In addition, State Fund is entitled to an award of treble damages, costs of litigation, and attorneys' fees pursuant to 18 U.S.C. § 1964 and other applicable law.

THIRD CAUSE OF ACTION

(Civil RICO 18 U.S.C. § 1962(d))

(Against All Defendants)

93. State Fund incorporates by reference the allegations in paragraphs 1 through 72, 74 through 79, and 81 through 92 of this Complaint as though fully set forth herein.

94. Section 1962(d) of Title 18 of the United States Code prohibits any person from conspiring to violate any of the provisions of section 1962(a)-(c). Section 1964(d) of Title 18 provides that "[a]ny person injured in his business or property by reason of a violation of section 1962 … may sue therefor in any appropriate United States district court." Plaintiff has been injured in his business and property by Defendants' violation of section 1962(d).

95. State Fund is informed and believes, and thereon alleges that, in violation of 18 U.S.C. § 1962(d), Defendants knowingly and willfully conspired and agreed with one another to violate 18 U.S.C. § 1962(c) and to conduct and/or participate, directly or indirectly, in the conduct of the affairs of the Fraudulent Providers through a pattern of racketeering activity.

96. State Fund is informed and believes, and thereon alleges, that the objects of the conspiracy were to defraud State Fund, as alleged herein, in violation of 18 U.S.C. §§ 1341 and 1343. Each of the Defendants agreed to join the conspiracy, each agreed to commit predicate acts in furtherance of the conspiracy, and each knew that those acts constituted part of a pattern of racketeering activity.

97. State Fund is further informed and believes, and thereon alleges, that each of the co-conspirator Defendants committed at least one overt act during the existence of the conspiracy in an effort to accomplish some object or purpose of the conspiracy. The overt acts of the Provider Defendants include charging fraudulently excessive prices for spinal implants, medications, and other medical supplies to covered workers, and creating and providing fraudulent invoices for such

supplies and services to Pacific Hospital and/or State Fund. Pacific Hospital's overt acts include knowingly acquiring spinal implants, medications, and other medical supplies at excessive prices or purporting to do so, and submitting false billings for spinal implants, medications, and other medical supplies to State Fund. The Individual Defendants' overt acts include devising the scheme to defraud State Fund, obtaining profits from the scheme, and conducting periodic meetings with medical professional staff, and other employees of the Fraudulent Providers in order to direct the scheme.

98. In furtherance of the overall objective of the conspiracy, the Defendants agreed to commit numerous predicate acts of mail and wire fraud. Specific examples of predicate acts are provided in paragraphs 27 through 63, above.

99. As a result of the violation of 18 U.S.C. § 1962(d), Defendants proximately caused State Fund to suffer substantial injury to both its business and property, as alleged herein. State Fund is informed and believes, and thereon alleges, that Defendants have been unjustly enriched by virtue of the RICO conspiracy such that this Court should further award disgorgement of such unjust enrichment as an additional remedy to achieve substantial justice between the parties, plus interest.

100. State Fund is also entitled to an award of treble damages, costs of this litigation, and reasonable attorneys' fees under 18 U.S.C. § 1964 and other applicable laws.

FOURTH CAUSE OF ACTION

(Common-Law Restitution Based Upon Unjust Enrichment)

(Against All Defendants)

101. State Fund incorporates by reference the allegations in paragraphs 1 through 72, 74 through 79, 81 through 91, and 93 through 99 of this Complaint as though fully set forth herein.

102. As set forth above, Defendants have fraudulently received millions of dollars from State Fund, directly and proximately caused by its fraudulent schemes of overbilling and other practices.

103. Defendants have been unjustly enriched, and it would be inequitable to allow Pacific Hospital to retain the monies it obtained from State Fund; accordingly, disgorgement should be awarded so as to obtain substantial justice between the parties.

104. State Fund is entitled to restitution for all amounts that Defendants have been unjustly enriched, in an amount to be proven at trial, plus interest.

FIFTH CAUSE OF ACTION

(Business & Professions Code § 17200)

(Against All Defendants)

105. State Fund incorporates by reference the allegations in paragraphs 1 through 72, 74 through 79, 81 through 91, 93 through 99, and 102 through 104 of this Complaint as though fully set forth herein.

106. Defendants' scheme of fraudulent misrepresentations and omissions to State Fund constitutes unlawful, unfair or fraudulent business acts and practices, under what is commonly known as the California Unfair Competition Law ("UCL"), California Business and Professions Code §§ 17200 *et seq*.

107. Defendants' fraudulent misrepresentations and omissions were made in California. For example, the fraudulent billings were sent to and received by State Fund in California.

108. As set forth above, Defendants have fraudulently received millions of dollars from State Fund, directly and proximately caused by its fraudulent schemes of overbilling and other practices.

109. Defendants have been unjustly enriched, and it would be inequitable to allow Defendants to retain the monies they obtained from State Fund.

Disgorgement should be awarded so as to obtain substantial justice between the parties.

110. State Fund is entitled to restitution for all amounts that Defendants have been unjustly enriched and for State Fund's damages, in an amount to be proven at trial, plus interest. Moreover, rescission of settlement agreements procured by fraud should be ordered, as specified in the sixth cause of action.

SIXTH CAUSE OF ACTION

(Rescission)

(Against Contracting Defendants)

111. State Fund incorporates by reference the allegations in paragraphs 1 through 72, 74 through 79, 81 through 91, 93 through 99, 102 through 104, and 107 through 110 of this Complaint as though fully set forth herein.

112. As noted above, State Fund was induced by the foregoing fraudulent schemes to enter into settlement agreements with certain of the Defendants on various dates, including but not limited to April 20, 2004, September 1, 2009, August 25, 2010, and May 19, 2011 (the "Group Settlements"). Out of an abundance of caution, State Fund will file the Group Settlements under seal according to an appropriate protective order or other procedures, assuming signatory Defendants assert that the terms are confidential. State Fund has also been induced to enter into settlement agreements of various lien claims by the Provider Defendants on other dates as well. State Fund's consent to enter into these settlement agreements was obtained by fraud, including the misrepresentations articulated above.

113. These misrepresentations were made with the intent to induce State Fund to rely thereon, and State Fund did in fact rely thereon. At the time State Fund entered into the settlement agreements, it was unaware of the true facts and would have acted differently if it had known the true facts. Specifically, State Fund would

not have settled these claims if it had known that Defendants engaged in the foregoing misrepresentations.

114. Consequently, the settlement agreements constitute void and/or voidable contracts, and State Fund seeks rescission of them, or if rescission is not available, damages in an amount to be proven at trial based on the other causes of action alleged in this Complaint.

PRAYER FOR RELIEF

WHEREFORE, State Fund prays for judgment against all Defendants as follows:

1. For an award of compensatory damages in an amount to be proven at trial, plus an award of punitive and exemplary damages pursuant to the first cause of action;

2. For compensatory damages in an amount to be proven at trial, and treble damages under the RICO statute in the second cause of action;

3. For compensatory damages in an amount to be proven at trial, and treble damages under the RICO statute in the third cause of action;

4. For restitution and disgorgement of unjust enrichment, plus interest, pursuant to the fourth and fifth causes of action;

5. For rescission of the settlement agreements pursuant to the sixth cause of action;

6. For an award of attorneys' fees and costs, pursuant to all appropriate causes of action; and

7. For such other and further relief as the Court may deem just and proper.

Dated: June 24, 2013

IRELL & MANELLA LLP

By: _____
John C. Hueston
Attorneys for Plaintiff State Compensation Insurance Fund

JURY TRIAL DEMAND

State Fund demands a trial by jury of all issues so triable on the claims alleged herein.

DATED: June 24, 2013

Respectfully submitted,

IRELL & MANELLA LLP

By: _____
John C. Hueston
Attorneys for Plaintiff State Compensation Insurance Fund

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

NOTICE OF ASSIGNMENT TO UNITED STATES MAGISTRATE JUDGE FOR DISCOVERY

This case has been assigned to District Judge Andrew Guilford and the assigned discovery Magistrate Judge is Carla Woehrle.

The case number on all documents filed with the Court should read as follows:

SACV13- 956 AG (CWx)

Pursuant to General Order 05-07 of the United States District Court for the Central District of California, the Magistrate Judge has been designated to hear discovery related motions.

All discovery related motions should be noticed on the calendar of the Magistrate Judge

NOTICE TO COUNSEL

A copy of this notice must be served with the summons and complaint on all defendants (if a removal action is filed, a copy of this notice must be served on all plaintiffs).

Subsequent documents must be filed at the following location:

[ ] **Western Division**
312 N. Spring St., Rm. G-8
Los Angeles, CA 90012

[x] **Southern Division**
411 West Fourth St., Rm. 1-053
Santa Ana, CA 92701-4516

[ ] **Eastern Division**
3470 Twelfth St., Rm. 134
Riverside, CA 92501

Failure to file at the proper location will result in your documents being returned to you.

UNITED STATES DISTRICT COURT, CENTRAL DISTRICT OF CALIFORNIA
CIVIL COVER SHEET

I. (a) PLAINTIFFS (Check box if you are representing yourself ☐)

STATE COMPENSATION INSURANCE FUND

DEFENDANTS (Check box if you are representing yourself ☐)

MICHAEL D. DROBOT, SR., an individual, et al. (see attached)

(b) Attorneys (Firm Name, Address and Telephone Number. If you are representing yourself, provide same.)
John C. Hueston (SBN 164921) (jhueston@irell.com)
Irell & Manella LLP
840 Newport Center Drive, Suite 400, Newport Beach, CA 92660
Telephone: (949) 760-0991 Facsimile: (949) 760-5200

(b) Attorneys (Firm Name, Address and Telephone Number. If you are representing yourself, provide same.)

II. BASIS OF JURISDICTION (Place an X in one box only.)

☐ 1. U.S. Government Plaintiff
☒ 3. Federal Question (U.S. Government Not a Party)
☐ 2. U.S. Government Defendant
☐ 4. Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES-For Diversity Cases Only
(Place an X in one box for plaintiff and one for defendant)

	PTF	DEF		PTF	DEF
Citizen of This State	☐ 1	☐ 1	Incorporated or Principal Place of Business in this State	☐ 4	☐ 4
Citizen of Another State	☐ 2	☐ 2	Incorporated and Principal Place of Business in Another State	☐ 5	☐ 5
Citizen or Subject of a Foreign Country	☐ 3	☐ 3	Foreign Nation	☐ 6	☐ 6

IV. ORIGIN (Place an X in one box only.)

☒ 1. Original Proceeding ☐ 2. Removed from State Court ☐ 3. Remanded from Appellate Court ☐ 4. Reinstated or Reopened ☐ 5. Transferred from Another District (Specify) ☐ 6. Multi-District Litigation

V. REQUESTED IN COMPLAINT: JURY DEMAND: ☒ Yes ☐ No (Check "Yes" only if demanded in complaint.)

CLASS ACTION under F.R.Cv.P. 23: ☐ Yes ☐ No ☐ **MONEY DEMANDED IN COMPLAINT:** $ To be ascertained

VI. CAUSE OF ACTION (Cite the U.S. Civil Statute under which you are filing and write a brief statement of cause. Do not cite jurisdictional statutes unless diversity.)
18 U.S.C. 1961 et seq. Complaint for Civil RICO, fraud, violation of Cal. Bus. & Prof. Code 17200, rescission, and restitution.

VII. NATURE OF SUIT (Place an X in one box only).

OTHER STATUTES
☐ 375 False Claims Act
☐ 400 State Reapportionment
☐ 410 Antitrust
☐ 430 Banks and Banking
☐ 450 Commerce/ICC Rates/Etc.
☐ 460 Deportation
☒ 470 Racketeer Influenced & Corrupt Org.
☐ 480 Consumer Credit
☐ 490 Cable/Sat TV
☐ 850 Securities/Commodities/Exchange
☐ 890 Other Statutory Actions
☐ 891 Agricultural Acts
☐ 893 Environmental Matters
☐ 895 Freedom of Info. Act
☐ 896 Arbitration
☐ 899 Admin. Procedures Act/Review of Appeal of Agency Decision
☐ 950 Constitutionality of State Statutes

CONTRACT
☐ 110 Insurance
☐ 120 Marine
☐ 130 Miller Act
☐ 140 Negotiable Instrument
☐ 150 Recovery of Overpayment & Enforcement of Judgment
☐ 151 Medicare Act
☐ 152 Recovery of Defaulted Student Loan (Excl. Vet.)
☐ 153 Recovery of Overpayment of Vet. Benefits
☐ 160 Stockholders' Suits
☐ 190 Other Contract
☐ 195 Contract Product Liability
☐ 196 Franchise

REAL PROPERTY
☐ 210 Land Condemnation
☐ 220 Foreclosure
☐ 230 Rent Lease & Ejectment

REAL PROPERTY CONT.
☐ 240 Torts to Land
☐ 245 Tort Product Liability
☐ 290 All Other Real Property

TORTS
PERSONAL INJURY
☐ 310 Airplane
☐ 315 Airplane Product Liability
☐ 320 Assault, Libel & Slander
☐ 330 Fed. Employers' Liability
☐ 340 Marine
☐ 345 Marine Product Liability
☐ 350 Motor Vehicle
☐ 355 Motor Vehicle Product Liability
☐ 360 Other Personal Injury
☐ 362 Personal Injury-Med Malpratice
☐ 365 Personal Injury-Product Liability
☐ 367 Health Care/ Pharmaceutical Personal Injury Product Liability
☐ 368 Asbestos Personal Injury Product Liability

IMMIGRATION
☐ 462 Naturalization Application
☐ 465 Other Immigration Actions

TORTS
PERSONAL PROPERTY
☐ 370 Other Fraud
☐ 371 Truth in Lending
☐ 380 Other Personal Property Damage
☐ 385 Property Damage Product Liability

BANKRUPTCY
☐ 422 Appeal 28 USC 158
☐ 423 Withdrawal 28 USC 157

CIVIL RIGHTS
☐ 440 Other Civil Rights
☐ 441 Voting
☐ 442 Employment
☐ 443 Housing/ Accomodations
☐ 445 American with Disabilities-Employment
☐ 446 American with Disabilities-Other
☐ 448 Education

PRISONER PETITIONS
Habeas Corpus:
☐ 463 Alien Detainee
☐ 510 Motions to Vacate Sentence
☐ 530 General
☐ 535 Death Penalty
Other:
☐ 540 Mandamus/Other
☐ 550 Civil Rights
☐ 555 Prison Condition
☐ 560 Civil Detainee Conditions of Confinement

FORFEITURE/PENALTY
☐ 625 Drug Related Seizure of Property 21 USC 881
☐ 690 Other

LABOR
☐ 710 Fair Labor Standards Act
☐ 720 Labor/Mgmt. Relations
☐ 740 Railway Labor Act
☐ 751 Family and Medical Leave Act
☐ 790 Other Labor Litigation
☐ 791 Employee Ret. Inc. Security Act

PROPERTY RIGHTS
☐ 820 Copyrights
☐ 830 Patent
☐ 840 Trademark

SOCIAL SECURITY
☐ 861 HIA (1395ff)
☐ 862 Black Lung (923)
☐ 863 DIWC/DIWW (405 (g))
☐ 864 SSID Title XVI
☐ 865 RSI (405 (g))

FEDERAL TAX SUITS
☐ 870 Taxes (U.S. Plaintiff or Defendant)
☐ 871 IRS-Third Party 26 USC 7609

FOR OFFICE USE ONLY: Case Number: **SACV13-00956 AG (CWx)**

AFTER COMPLETING PAGE 1 OF FORM CV-71, COMPLETE THE INFORMATION REQUESTED ON PAGE 2.

UNITED STATES DISTRICT COURT, CENTRAL DISTRICT OF CALIFORNIA

CIVIL COVER SHEET

VIII(a). IDENTICAL CASES: Has this action been previously filed in this court and dismissed, remanded or closed? ☒ NO ☐ YES

If yes, list case number(s): _____

VIII(b). RELATED CASES: Have any cases been previously filed in this court that are related to the present case? ☒ NO ☐ YES

If yes, list case number(s): _____

Civil cases are deemed related if a previously filed case and the present case:

(Check all boxes that apply)

☐ A. Arise from the same or closely related transactions, happenings, or events; or

☐ B. Call for determination of the same or substantially related or similar questions of law and fact; or

☐ C. For other reasons would entail substantial duplication of labor if heard by different judges; or

☐ D. Involve the same patent, trademark or copyright, and one of the factors identified above in a, b or c also is present.

IX. VENUE: (When completing the following information, use an additional sheet if necessary.)

(a) List the County in this District; California County outside of this District; State if other than California; or Foreign Country, in which **EACH** named plaintiff resides.

☐ Check here if the government, its agencies or employees is a named plaintiff. If this box is checked, go to item (b).

County in this District:*	California County outside of this District; State, if other than California; or Foreign Country
Orange	San Francisco

(b) List the County in this District; California County outside of this District; State if other than California; or Foreign Country, in which **EACH** named defendant resides.

☐ Check here if the government, its agencies or employees is a named defendant. If this box is checked, go to item (c).

County in this District:*	California County outside of this District; State, if other than California; or Foreign Country
Orange (8 Defendants) Los Angeles (2 Defendants)	

(c) List the County in this District; California County outside of this District; State if other than California; or Foreign Country, in which **EACH** claim arose.
NOTE: In land condemnation cases, use the location of the tract of land involved.

County in this District:*	California County outside of this District; State, if other than California; or Foreign Country

***Los Angeles, Orange, San Bernardino, Riverside, Ventura, Santa Barbara, or San Luis Obispo Counties**
Note: In land condemnation cases, use the location of the tract of land involved

X. SIGNATURE OF ATTORNEY (OR SELF-REPRESENTED LITIGANT): _____ DATE: June 24, 2013

Notice to Counsel/Parties: The CV-71 (JS-44) Civil Cover Sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law. This form, approved by the Judicial Conference of the United States in September 1974, is required pursuant to Local Rule 3-1 is not filed but is used by the Clerk of the Court for the purpose of statistics, venue and initiating the civil docket sheet. (For more detailed instructions, see separate instructions sheet).

Key to Statistical codes relating to Social Security Cases:

Nature of Suit Code	Abbreviation	Substantive Statement of Cause of Action
861	HIA	All claims for health insurance benefits (Medicare) under Title 18, Part A, of the Social Security Act, as amended. Also, include claims by hospitals, skilled nursing facilities, etc., for certification as providers of services under the program. (42 U.S.C. 1935FF(b))
862	BL	All claims for "Black Lung" benefits under Title 4, Part B, of the Federal Coal Mine Health and Safety Act of 1969. (30 U.S.C. 923)
863	DIWC	All claims filed by insured workers for disability insurance benefits under Title 2 of the Social Security Act, as amended; plus all claims filed for child's insurance benefits based on disability. (42 U.S.C. 405 (g))
863	DIWW	All claims filed for widows or widowers insurance benefits based on disability under Title 2 of the Social Security Act, as amended. (42 U.S.C. 405 (g))
864	SSID	All claims for supplemental security income payments based upon disability filed under Title 16 of the Social Security Act, as amended.
865	RSI	All claims for retirement (old age) and survivors benefits under Title 2 of the Social Security Act, as amended. (42 U.S.C. 405 (g))

Additional Defendants:

MICHAEL R. DROBOT, JR., an individual;
HEALTHSMART PACIFIC INC., a California corporation;
HEALTHSMART PACIFIC INC. dba PACIFIC HOSPITAL OF LONG BEACH, a California corporation;
LONG BEACH PAIN CENTER MEDICAL CLINIC, INC., a California corporation;
INDUSTRIAL PHARMACY MANAGEMENT LLC, a California limited liability company;
CALIFORNIA PHARMACY MANAGEMENT LLC, a California limited liability company;
COASTAL EXPRESS PHARMACY, INC., a California corporation;
LONG BEACH PRESCRIPTION PHARMACY, INC., a California corporation;
MEDS MANAGEMENT GROUP, LLC, a California limited liability company,
and DOES 1 through 10, Inclusive.