

Fraud Case Involving Illegal Kickbacks and Unnecessary Drug Testing Ends in Guilty Pleas

Undoubtedly, urinalysis has its place in substance abuse treatment. However, urine testing remains quite vulnerable to fraudulent schemes by bad actors — recent guilty pleas highlight just how vulnerable.

Late last month, a multi-million dollar healthcare fraud case involving substance abuse treatment centers came to a close with the guilty pleas by three individuals and a corporation. Smart Lab LLC and the corporation's top sales representative, its CEO and its COO entered guilty pleas for charges of defrauding healthcare benefit programs, money laundering, and filing fraudulent insurance claims.

Smart Lab CEO H. Hamilton Wayne, 40, of Palm Beach Gardens, Florida, and COO Justin Morgan Wayne, 39, of Boca Raton pleaded guilty to conspiracy to commit healthcare fraud. Sentencing will take place on November 1st. Sales rep Lanny Fried, 41, of Miami, pleaded guilty to one count of conspiracy to commit money laundering and will be sentenced on November 7th. (And Smart Lab itself was also named as a defendant.)

Corporation allegedly set up just to tap into urinalysis reimbursements

Court documents revealed that Smart Lab was developed by the Waynes in order to conduct confirmatory urine testing for substance use disorder treatment. The Waynes and the corporation created bank accounts for the purpose of receiving insurance claims money paid for allegedly medically unnecessary urine testing. Additionally, the Waynes and the corporation are accused of paying illegal kickbacks to individuals and organizations referring urinalysis to Smart Lab.

Allegedly, the Waynes created employment agreements that allowed them and others to contact alcohol and drug addiction treatment centers and ask for urine samples that would then be sent to Smart Lab for costly testing. When addiction treatment facilities agreed to the scheme, Smart Lab reciprocated by kicking back part of the insurance payments received for the urinalysis. Those payments were allegedly camouflaged as sales commissions.

Ultimately, urinalysis was conducted without regard for the actual needs of the patients involved; medically unnecessary, redundant, and costly confirmatory testing was undertaken on the basis of standing orders and testing protocols created by Smart Lab and the Waynes.

Addiction treatment centers that co-conspired with the Smart Lab scheme allegedly required insured patients to undergo urine testing three times each week, tests that were paid for by their health plans. And in further violation of healthcare protocol, the defendants failed to ensure that the patient's fiscal responsibility (i.e., deductibles, co-payments, co-insurance) was met prior to billing insurance, and they apparently hid that fact from insurers.

Sales rep pocketed over a half-mil in kickbacks disguised as commissions

Fried, the Smart Lab sales representative also named in the case, received around half of all insurance reimbursements stemming from the involvement of treatment facilities he connected to the defendant corporation, according to court documents. Although those payments were categorized as commissions on paper, in actuality they served as illicit kickbacks for medically unnecessary, fraudulent or redundant drug screening.



Reflections Treatment Center (based in Margate, Florida) was one of Smart Lab's largest clients, and Fried acted as the sales rep for that account. Allegedly, Fried paid Reflections' owner, Kenneth Chatman, cash kickbacks as inducement for continuing to send patients' urine samples to Smart Lab. Court documents reveal that Fried received more than \$600,000 from Smart Lab over a twelve-year period beginning in 2005.

Fried expanded his "sales" team by soliciting help from friends and colleagues, asking them to sign employment agreements with Smart Lab that disguised them as "sales representatives." However, Fried and his associates failed to undertake bonafide services on Smart Lab's behalf: the agreements that were drawn up were apparently done so to conceal the healthcare fraud underway.

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