



Authorities Uncover \$163 Million Medicare Scam

On Wednesday, October 13, United States authorities announced the biggest fraudulent enterprise in Medicare history. A group of Armenian gangsters set up “phantom” healthcare clinics, as well as a variety of other measures, with the intent to cheat Medicare out of \$163 million. Thus far, 73 associates have been indicted, 53 have been arrested, and seven suspects remain on the run.



According to Fox News, those charged were caught in New York City, Los Angeles, New Mexico, Georgia, and Ohio during raids on Wednesday morning.

The indictments include:

- 44 defendants charged in New York with racketeering conspiracy and conspiracy to commit healthcare fraud, bank fraud, money laundering, fraud in connection with identity theft, credit care fraud, and immigration fraud.
- Seven defendants charged in New Mexico with healthcare fraud, mail fraud, wire fraud, money laundering conspiracy, money laundering, forfeiture and aggravated identify theft.
- Six defendants charged in Georgia with healthcare fraud, conspiracy to commit healthcare fraud, money laundering conspiracy and aggravated identity theft.
- Six defendants in Ohio with healthcare fraud, mail fraud, conspiracy to commit mail fraud, wire fraud, conspiracy to commit money laundering and aggravated identity theft
- 10 defendants charged in California with conspiracy to commit bank fraud, bank fraud, money laundering, conspiracy to launder monetary instruments, criminal forfeiture, aggravated identity theft, aiding and abetting.

The investigation began when the information of nearly 3,000 Medicare patients, including their Social Security numbers, was reported stolen. In addition to these stolen identities, the identities of doctors were reportedly stolen as well in order to set up 118 phantom clinics in 25 states. The names were then submitted on falsified bills.

The *New York Times* reports that the defendants created fake clinics, which were often “nothing more than an address at Mail Boxes Etc. store, from New York City to Mobile, Alabama, to Apple Valley, California — and bill the agency for examinations and procedures that never happened and for equipment that did not exist.”

The *New York Times* adds, “The scheme sidestepped the cumbersome element of most Medicare schemes, which typically involve pairing up a corrupt doctor with a complicit patient faking an injury.”

In a similar report, Fox News writes, “Unlike other cases involving crooked medical clinics bribing people to sign up for unneeded treatments, the operation was ‘completely notional,’ Janice Fedarcyk,



Written by [Raven Clabough](#) on October 14, 2010

head of the FBI's New York office, said in a statement."

Fedarcyk notes, "The whole doctor-patient interaction was a mirage."

In New York alone, more than \$35 million was paid out by Medicare when nearly \$100 million in fraudulent bills were submitted for payment.

The indictment claims that the defendants "were Armenian nationals or immigrants and many maintained substantial ties to Armenia." Much of the cash acquired was sent back to Armenia via couriers, or were rendered untraceable, according to the indictment, through a series of bank transfers that often ended in a check-cashing facility or as a pile of casino chips in Las Vegas.

The operation, which began in 2006, was conducted by the Armenian "Mafia," under the leadership of the Armenian crime boss, Armen Kazarian, who entered the United States as a refugee with an asylum application, which was granted in 1996.

Evidently, Kazarian lied on his asylum application. According to the *New York Times*, "Kazarian told an asylum officer who interviewed him that he had fled the region after watching his father be doused by gasoline and burned to death, and he went on to describe a time he was attacked while visiting his father's grave. Nine years later, in 2005, agents with the F.B.I., interviewing him in an unrelated matter, told him they had learned that his father was still alive."

Kazarian was known in the former Soviet Union as "vor." U.S. Attorney Preet Bharara explains that a vor is virtually "the rough equivalent of a traditional godfather." Bharara states that this is the first time a "vor" is charged in an American racketeering case.

Yet despite the similarities to American mafias, Bharara explains that the quality of the Medicare scam "puts the traditional Mafia to shame." He adds, "They ran a veritable fraud franchise."

Noting the elaborate quality of the scheme, Michael Gaeta, supervisor of the New York F.B.I. office's Russian Organized Crime Squad asserts, "The threat posed by such groups from Russia and the former Soviet republics had changed drastically from the crude and brutal approach that was rooted in extortion and other violent crimes."

Despite the sophistication of the scam, however, some of the false paperwork was noticeably strange, as it showed eye doctors performing bladder exams, pregnancy ultrasounds performed by ear, nose, and throat specialists, a dermatologist performing heart tests, and a psychiatrist performing M.R.I.'s.

Fox News notes, "Kazarian, 46, of Glendale, Calif., and two alleged ringleaders-Davit Mirzoyan, 34, also of Glendale, and Robert Terdjanian, 35, of Brooklyn-were named in an indictment charging racketeering conspiracy, bank fraud, money laundering and identity theft."

The indictment accuses Terdjanian of a variety of other crimes, involving stolen credit cards, untaxed cigarettes, and counterfeit Viagra. To boot, Terdjanian is also being charged with a violent crime that took place in Brighton Beach, Brooklyn, where he allegedly pulled out a knife on person who owed him money and "threatened to disembowel the individual if the debt was not paid."

Because of the volume and severity of Terdjanian's charges, he has been jailed without bail. Kazarian and Mirzoyan appeared before judge in Los Angeles yesterday.

New York Judge Robert Patterson sped through nearly a dozen indictments in a Manhattan courtroom on Wednesday afternoon. All defendants pleaded "not guilty" and most were freed on bail ranging from \$100,000 to \$500,000.



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Local business owners are shocked to learn that businesses next door to them were affiliated with the Medicare scam. According to New Mexico U.S. Attorney Kenneth Gonzales, for example, the Rio Bravo Medical Supply located in New Mexico was one of many dummy corporations set up for the Medicare scam.

Cyd Ault, who ran a business next door to the Rio Bravo Medical Supply, contends that the group at the Rio Bravo appeared to be suspicious. “We just thought it was an odd case, they never had any customers, they sat outside of their van smoking cigarettes all day long,” Ault said. “I also found a lot of stuff in the dumpster that they just pitched — wheelchairs, walkers, all kinds of stuff — that looked very useable that they just threw away.”

The *Wall Street Journal* writes that Mirzoyan-Terdjanian allegedly masterminded a similar scheme involving staged car accidents and false claims to private insurance companies. According to the *New York Times*, they were a part of a larger ring of people who “falsified, staged, and exaggerated the severity of fender-benders.”

Authorities are concerned that the Medicare scam will cause wavering hope in the healthcare system. Bharara says, “Medicare was ‘sucker punched’ in the case.”

Kevin Perkins, FBI Assistant Director of the Criminal Investigative Division issued a statement addressing these concerns: “The international organized crime enterprise known as the Mirzoyan-Terdjanian, fleeced the health care system through a wide-range of money making criminal fraud schemes. We want to restore the confidence in the nation’s healthcare system and assure practitioners we will not stand by and let their identities be used for criminal gain.”

Photo of Robert Terdjanian: AP Images



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