

**NEW YORK CITY HOSPITAL EXECUTIVE AND CONSULTANT CHARGED  
IN MULTIMILLION DOLLAR BRIBE-THEFT SCAM**

***Payoffs for Lucrative Contracts Totaled More than \$2 Million in Cash, Cars, and Boat***

Attorney General Spitzer today announced that Donald Modzelewski, a former vice president of Continuum Health Partners, Inc., which operates four hospitals in New York City, has been charged by a Manhattan grand jury with accepting nearly \$2 million in illegal payments from hospital financial consultant Thomas Colucci in return for steering \$11 million in contracts to several of Colucci's companies.

The grand jury also charged Modzelewski and Colucci with stealing more than \$2 million from Continuum and two of its hospitals – Beth Israel Medical Center and St. Luke's-Roosevelt Hospital – by having Colucci submit fraudulent payment invoices which Modzelewski, in his capacity as vice-president of reimbursement for Continuum, approved for payment. The phony invoices were for financial work never performed, for inflated amounts of what was owed, and for work for which payment had already been received.

According to prosecutors, the conspiracy to divert hospital funds ran from August 1998 to January 2002, and included the payment of massive bribes - including large cash payments, two luxury automobiles, a 28-foot motorboat, expensive electronics and a \$280,000 down payment for a million-dollar house on Long Island. Modzelewski is alleged to have also misappropriated \$400,000 of Continuum's funds to one of Colucci's companies through a third-party vendor.

"Today's indictment exposes an insidious pattern of corruption that, through a lack of internal controls and oversight, allowed the two defendants freely and fraudulently to siphon millions of dollars from two major New York City medical institutions," said Spitzer. "My office will continue to scrupulously monitor and vigorously prosecute such fraud."

"This case involves a fundamental breach of trust by a corporate executive," said Deputy Attorney General William J. Comiskey, Director of Spitzer's Medicaid Fraud Control Unit, which is prosecuting the case. "The illicit exchange between Modzelewski and Colucci was not merely a commercial bribe for contracts but also a means by which the two defendants stole millions from two major hospitals that serve a vast New York population."

Modzelewski and Colucci were arraigned yesterday afternoon in Manhattan Supreme Court before Justice Brenda S. Soloff on a six-count indictment. Modzelewski and Colucci were each charged with one count of Conspiracy in the Fourth Degree, one count of Grand Larceny in the First Degree, and two counts of Grand Larceny in the Second Degree. In addition, Modzelewski was charged with one count of Commercial Bribe

Receiving in the First Degree, and Colucci was charged with one count of Commercial Bribing in the First Degree. If convicted, each defendant faces up to twenty-five years in prison.

Modzelewski, 59, of 17 Ryder Avenue in Dix Hills, was employed at Continuum from 1997 until March 2002.

Colucci, 54, of 28 Block Boulevard in Massapequa Park, is the sole owner and operator of various companies that perform services related to the financial operation of hospitals, including billing and reimbursement services. Among Colucci's companies are: National Revenue Group, Ltd.; National Fiscal Advisors, Ltd.; Qusimore Associates, Ltd.; Katlea Enterprise, Inc.; Advanced Graphics Corporation; and Sterling Printing Services, Inc., all of which are located on Long Island.

Continuum Health Partners, Inc., was formed in 1997, and consists of Beth Israel Medical Center, of Manhattan, St. Luke's-Roosevelt Hospital Center, of Manhattan, Long Island College Hospital, of Brooklyn, and the New York Eye and Ear Infirmary, of Manhattan. The Continuum network also encompasses ambulatory health centers and group and private practice settings throughout New York City and in Westchester County.

The case was presented to the grand jury by Special Assistant Attorney General Marie D. Spencer, of the Medicaid Fraud Control Unit's Special Projects Unit, and former Special Assistant Attorney General Michael P. Sofarelli, Deputy Director of the Special Projects Unit. Assisting in the investigation were Principal Special Auditor Investigator Granville A. Senior, Associate Special Auditor Investigator Ali H. Sencer, Senior Special Auditor Investigator Deowattie Khelawan, Special Investigator Carlos Miranda and former Special Investigator Timothy F. Cleary.

The charges against the defendants are merely accusations, and the defendants are presumed innocent until and unless proven guilty.

[http://www.oag.state.ny.us/media\\_center/2001/apr/apr06b\\_01.html](http://www.oag.state.ny.us/media_center/2001/apr/apr06b_01.html)

### **BROOKLYN ADULT CARE PROVIDER PLEADS GUILTY IN NATION'S LARGEST CRIMINAL MEDICAID FRAUD CASE**

***Faces Jail Time, Will Repay \$25 Million, Had Billed Taxpayers for Seniors' Meals,  
Social Activities and Unneeded Transportation***

Attorney General Spitzer announced today that the owner of a Brooklyn adult day care health facility has pled guilty to all charges against him in what is believed to be the nation's single largest criminal Medicaid fraud case.

In December 1999, the Attorney General's office charged Lawrence Friedman with stealing tens of millions of dollars from taxpayers by billing the Medicaid program for

senior citizens' meals, social activities and unnecessary transportation - instead of approved medical care - at his Parkshore Adult Health Care Center at 9517 Avenue J and 945 East 108th Street.

Today, Friedman, 53, of Brooklyn, pled guilty to all 15 charges against him, including two counts of Grand Larceny in the First Degree, before Brooklyn State Supreme Court Justice Gustin Reichbach.

He will make restitution of \$25 million to state taxpayers for his fraudulent billings. In addition, Parkshore will have \$23.4 million withheld from its future reimbursements by the state Health Department as a result of a rate readjustment for the year 2000 and the first quarter of 2001.

Friedman will be sentenced on June 1, at which time he faces a minimum of one to three years in prison.

"We have achieved all of our objectives in this case," said Spitzer. "The defendant has admitted to all the charges against him, he will receive time in prison, and repay taxpayers tens of millions of dollars in ill-gotten gains."

"This case has already had a significant impact on the state's entire adult day care health industry," Spitzer continued. "Because of the problems uncovered, the state Health Department has made systemic changes in the way providers are paid, as well as reviewed past payments made to similar facilities, which have saved taxpayers millions of additional dollars."

Between July, 1996 and December, 1999, Friedman routinely submitted false records, claiming that those attending Parkshore were receiving medical care including physical and occupational therapy and blood pressure screenings.

Parkshore would receive \$139 for each senior who was at the facility for five hour 'therapy' sessions. At its peak, Parkshore was operating three shifts daily and billing Medicaid for 'treating' close to 1,000 people per day at two locations.

Deputy Attorney General Jose Maldonado, the Director of the Medicaid Fraud Control Unit (MFCU) said, "Instead of providing approved medical services for those in need, the defendant brazenly billed taxpayers for activities like dancing, English classes, meals, and the services of a beauty parlor."

In addition, Friedman also improperly billed taxpayers for unnecessary ambulance transportation for seniors who were able to get to the facility on their own.

Parkshore served the Brighton Beach section of Brooklyn and its clients were almost entirely Russian immigrants. As a way to increase enrollment at Parkshore, Friedman gave \$50 referral fees to seniors who induced their friends to go to the facility.

Announcements about the \$50 fees and other gifts were made in Russian and English every few hours over loudspeakers at the facility.

In trying to avoid detection by state Health Department inspectors, the Parkshore facility falsified blood pressure results, told recipients to 'dress down' so as not to appear too healthy, and in one instance, even took hundreds of seniors to see the movie "Titanic" in order to avoid being seen by inspectors.

"This prosecution should send a strong and clear message to all Medicaid providers: we will be aggressive and vigilant when it comes to ensuring that taxpayers' money is properly spent," said Spitzer.

Special Assistant Attorney General Richard S. Harrow, Director of the New York City Regional Office of Attorney General Spitzer's MFCU, prosecuted the case, with the assistance of Special Assistant Attorney General Michael P. Sofarelli, Deputy Director of the MFCU's Special Projects Unit and Assistant Attorneys General Michael Berlowitz and Arlene Osterer. They worked under the supervision of Maldonado and Criminal Division Chief Peter Pope.