



\$500 million dollar medical and workers' comp fraud conspiracy uncovered

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CA businessman charged with leading sophisticated insurance fraud operation

LOS ANGELES, Calif. - A multi-year investigation into a sophisticated criminal fraud ring has uncovered the largest case of insurance fraud in department history and led to Michael Drobot, 69, of Corona Del Mar who built a complex conspiracy billing approximately 150 insurance companies more than \$500 million for medical procedures over five years.

Today U.S. Attorney André Birotte announced the details of the investigation, which was initiated as joint investigation by the Department of Insurance and FBI in 2009 and quickly expanded to include the U.S. Attorney's office, IRS and other law enforcement agencies. Today's announcement also includes details of a plea agreement struck with Drobot to cooperate with the ongoing investigation.

"Insurance fraud is a multi-billion dollar drain on California's economy, which results in higher insurance premiums for California businesses and consumers. The co-conspirators lined their pockets by ripping off insurance companies to the tune of hundreds of millions of dollars," said California Insurance Commissioner Dave Jones. "This is one of the largest workers' compensation fraud cases in the history of the Department of Insurance—our successful investigation of this complex criminal scheme underscores our commitment to bring law breakers to justice regardless of who they are."

Drobot was the owner/operator of Pacific Hospital in Long Beach and used the hospital to orchestrate the elaborate fraud scheme that involved illegal kickbacks in exchange for thousands of patient referrals from other medical professionals. Drobot's scheme largely targeted the workers' compensation system with nearly 90 percent of the medical billings for workers' compensation cases.

As the ring leader, Drobot paid other medical professionals as much as \$15,000 in kickbacks for each lumbar fusion surgery and \$10,000 for cervical fusion surgery. The kickback payments were concealed through bogus contracts with the doctors, chiropractors, and other medical professionals and funded by inflating prices for medical equipment and establishing shell companies to hide his actions, while billing insurers for the inflated equipment and implants and medical procedures. The investigation revealed Drobot inflated prices by as much as ten times the actual price—charging \$40,000 for spinal hardware purchased for only \$4,000.

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Media Notes: For questions regarding this case, prosecution and plea agreement contact: Thom Mrozek, Public Affairs Officer of the U.S. Attorney's office at Thom.Mrozek@usdoj.gov.

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The California Department of Insurance, established in 1868, is the largest consumer protection agency in California, regulating the \$123 billion insurance marketplace. In 2013 the California Department of

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