

## Blog Post

# Owner of Medical Marketing Company Found Guilty in \$2 Million Medicare Fraud Scheme...Again!

July 15, 2019

The Department of Justice announced on June 27, 2019 that David Brock Lovelace, the owner of DBL Management LLC, was found guilty by a federal jury in the U.S. District Court for the Middle District of Florida of conspiracy to pay healthcare kickbacks and structuring currency transactions to avoid reporting requirements. According to the evidence at trial, Lovelace was paid by a clinical laboratory company for each DNA swab he arranged to be referred to the laboratory. To obtain DNA swabs, the evidence indicated that Lovelace paid kickbacks and bribes to medical clinics located in Miami, Florida in exchange for the referral of swabs obtained from Medicare beneficiaries, without regard to medical necessity. According to the Department of Justice, the clinical laboratory billed the Medicare program over \$2.2 million in claims and paid Lovelace a percentage of the Medicare reimbursement it received. Mr. Lovelace is expected to be sentenced on October 2, 2019.

Mr. Lovelace had been convicted previously, in December of 2015, of healthcare fraud, wire fraud, and money laundering, according to an announcement by the Department of Justice dated March 7, 2016. Trial evidence showed that he and co-conspirators paid illegal kickbacks in exchange for access to Medicare patients and Medicare patient information used in the fraud

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scheme, used forged and falsified documents in the Medicare enrollment process to enroll medical clinics, and billed Medicare for services that had not been rendered by physicians. Lovelace was sentenced to 14 years in prison and ordered to pay \$2.5 million in restitution.

There were two phases to the schemes in these two cases. In the first phase of the scheme, from November 2013 to May 2014, the evidence at trial showed that Lovelace paid kickbacks directly to clinic owners. In order to conceal his payment of illegal cash kickbacks, the evidence showed that Lovelace would travel to different ATMs and bank branches throughout Southern Florida to make withdrawals of thousands of dollars in cash in order to avoid filing currency transaction reports required by the U.S. Department of Treasury for individual withdrawals of over \$10,000.

In the second phase of the scheme, from May 2014 to November 2014, after his arrest on other charges, Lovelace established shell marketing companies and conspired with nominee owners to facilitate the collection of DNA samples, to make payment of kickbacks to providers, and to receive illegal proceeds from a clinical laboratory. According to the Department of Justice press release, one clinical laboratory was reported to have submitted over \$2.2 million in claims for genetic testing and paid Lovelace a percentage of collections received.

It should come as no surprise that healthcare fraud continues to occur even while the federal Medicare Fraud Strike Force is vigorously investigating, charging, and prosecuting individuals and companies engaged in illegal activities. But it should be noted that Mr. Lovelace changed his business model several times. He initially began by submitting false and fraudulent claims to Medicare from three purported medical clinics. When detected, he began employing a laboratory marketing scheme to conceal his fraudulent activities.

Individuals who knowingly and willfully commit healthcare fraud, money laundering, and other related crimes are developing sophisticated and deceptive schemes to accomplish their objectives. In some cases, the provider is not complicit and may be unaware of the criminal enterprise, but may have unwittingly provided information or specimens used to defraud governmental or private payors.

The schemes in the cases described above involved multiple business models and multiple entities with nominee owners to disguise the true nature of the criminal enterprises. In many schemes involving healthcare fraud, there are red flags which should be recognized by providers with a robust compliance program. But con artists can be very disarming and convincing. Providers should consult with their health law attorney before entering into any new arrangement, regardless of whether there is any indication of impropriety.

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