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PRESS RELEASE

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Adams Medical Equipment Inc. Executives Plead Guilty in Scheme to Defraud Maryland and Washington, D.C., Medicaid Programs

BALTIMORE, MD (March 15, 2024) – Maryland Attorney General Anthony G. Brown today announced the guilty pleas and sentencing of Tahir Afzal, 61, Mehmood Ashraf Afzal, 33, both of Frederick, Maryland, and Ayesha Afzal, 34, of Boca Raton, Florida, on charges of Medicaid fraud. On December 13, 2023, the defendants pleaded guilty to defrauding the Maryland and District of Columbia Medicaid programs of more than \$550,000 by billing for durable medical equipment that was not medically necessary and oftentimes not delivered to Medicaid recipients. Medicaid is a joint federal-state program that provides healthcare benefits to low-income individuals.

On March 15, 2024, Frederick County Circuit Court Judge Theresa M. Adams sentenced Tahir Afzal to five years' incarceration, suspending all but two years, to be served on home detention, and five years of probation. Judge Adams sentenced both Mehmood Ashraf Afzal and Ayesha Afzal to five years' incarceration, all suspended, and three years of probation. The defendants are liable for restitution in the amount of \$575,122.40, the full amount of which was paid at sentencing. Additionally, the defendants were ordered to pay a civil penalty of \$575,122.40 to be paid over three years from the date of sentencing. All three defendants are precluded from providing healthcare services that are either partially or wholly funded by state or federal governments, including Medicaid for the District of Columbia.

"Crimes that take advantage of the Medicaid system and steal resources from those in need drive up healthcare costs and place a financial strain on an important state program," **said Attorney General Brown.** "Let this prosecution send a clear message that my office will pursue justice against anyone who manipulates the system for their financial gain."

Adam Medical Equipment Inc. (Adam Medical) was a family-owned and operated durable medical equipment supplier located in Frederick, Maryland, primarily supplying child-friendly cartoon character-themed nebulizers. A nebulizer is a medical device used to treat asthma or other respiratory problems. Tahir Afzal was the president, CEO, and owner of Adam Medical.

Mehmood Ashraf Afzal ran the day-to-day operations and Ayesha Afzal was the billing supervisor.

Adam Medical's business model was to supply replacement nebulizers on a yearly basis, based on time eligibility, when insurance would pay for a new nebulizer, rather than on a physician's order as is required. Adam Medical operated a "closet program" where they stored nebulizers with compressors at more than 150 pediatricians' offices across Maryland so that a patient could walk out of the pediatrician's office with a nebulizer in hand.

Adam Medical billed Medicaid for 2,285 replacement nebulizers, most if not all of which were not medically necessary and many of which were never received by the recipients. As part of Adam Medical's scheme, they (1) billed yearly for replacement nebulizers without doctors' orders for refills; (2) billed without doctors' or patients' knowledge; (3) billed based on those insured individuals who had low or no deductibles; (4) billed based on type of insurance, distinguishing between Medicaid and private insurers, despite a 5-year warranty that would cover repairs if required; and (5) billed patients who were still in possession of working nebulizers.

The defendants' schemes were not limited to submitting claims for replacement nebulizers. They also engaged in two billing schemes in which they were fraudulently reimbursed \$65,211 by Maryland Medicaid. Both billing schemes utilized pass-through billing – an arrangement in which an authorized provider submits claims to Medicaid as if they provided the services when those services were actually provided by a non-authorized provider who otherwise would not have been entitled to reimbursement. Adam Medical and three other providers then split the reimbursement.

The defendants also took action to conceal their fraudulent practices. Over the course of four years, Adam Medical was audited by multiple insurance companies involved in the Medicaid program. The insurance companies asked the defendants to provide documentation to support claims submitted on specific dates and for specific recipients for nebulizers. The defendants responded to each audit with forgeries and lies designed to deceive the companies and conceal their fraudulent practices. These acts included: (1) late-delivering nebulizers that had been billed to Medicaid months prior; (2) falsifying signatures and dates on delivery tickets; (3) photoshopping physicians' orders; and (4) repaying the insurance companies, claiming bills were submitted in error, in order to avoid further scrutiny from the companies.

In pleading guilty to the Maryland fraud, the defendants also resolved criminal charges that were brought by the United States Attorney's Office for the District of Columbia, following an investigation by the D.C. Office of Inspector General's (OIG) Medicaid Fraud Control Unit (MFCU). The D.C. scheme operated similarly to the fraud scheme in Maryland, and the defendants agreed to pay restitution of \$19,461.40 to the D.C. Medicaid program.

In making today's announcement, Attorney General Brown thanked the Medicaid Fraud and Vulnerable Victims Unit and Assistant Attorneys General Catherine Schuster Pascale and James M.C. McHale, as well as Investigator Gordon Carew, Senior Investigator Shannon Beatty, Senior Investigative Auditor Todd Sheffer, and Senior Investigator Paul Kidd, for their work on the case. Attorney General Brown also thanked D.C. Inspector General Daniel W. Lucas, and the D.C. OIG MFCU's Special Assistant U.S. Attorney Emmanuela Charles and Assistant Special Agent in Charge Robert E. Bornstein.

The Maryland Office of the Attorney General, Medicaid Fraud and Vulnerable Victims Unit receives 75 percent of its funding from the U.S. Department of Health and Human Services under a grant award

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