

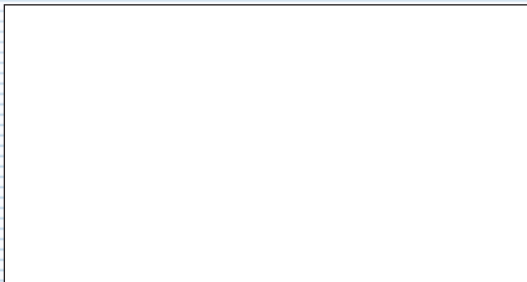
## CITIZENS COMMISSION ON HUMAN RIGHTS

The Citizens Commission on Human Rights (CCHR) was established in 1969 by the Church of Scientology to investigate and expose psychiatric violations of human rights, and to clean up the field of mental healing. Its co-founder is Dr. Thomas Szasz, professor of psychiatry emeritus and an internationally renowned author. Today, CCHR has more than 130 chapters in over 30 countries. Its board of advisors, called Commissioners, includes doctors, lawyers, educators, artists, business professionals, and civil and human rights representatives.

CCHR has inspired and caused many hundreds of reforms by testifying before legislative hearings and conducting public hearings into psychiatric abuse, as well as working with media, law enforcement and public officials the world over.

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## MASSIVE FRAUD PSYCHIATRY'S CORRUPT INDUSTRY



A Public Service Report from  
Citizens Commission on Human Rights

# INTRODUCTION CRIME IN MENTAL HEALTH CARE TODAY



For decades, psychiatrists and psychologists have claimed a monopoly over the field of mental health. Governments and private health insurance companies have provided them with billions of dollars every year to treat "mental illness," only to face industry demands for even more funds to

Psychiatric fraud is rampant around the world. In the U.S., government agencies, including the Federal Bureau of Investigation (FBI), have been forced to raid private psychiatric chains such as National Medical Enterprises (above). Because of psychiatry's fraud and abuses, the company paid a \$740 million fine.



## RECOMMENDATIONS

- 1 Establish or increase the number of psychiatric fraud investigation units to recover funds that are embezzled in the mental health system.
- 2 Clinical and financial audits of all government-run and private psychiatric facilities that receive government subsidies or insurance payments to ensure accountability and the compilation of statistics on admissions, treatment and deaths, without breaching patient confidentiality.
- 3 A list of convicted psychiatrists and mental health workers should be kept on state, national and international law enforcement and police agencies databases, to prevent criminally convicted and/or deregistered mental health practitioners from gaining employment elsewhere in the mental health field.

**Caution:** No one should stop taking any psychiatric drug without the advice and assistance of a competent non-psychiatric medical doctor.



This publication was made possible by a grant from the United States International Association of Scientologists Members' Trust.

1 Interview with New York State Dept. of Law, Medicaid Fraud Control Unit, 15 Dec. 1995.

2 Sally Satel and Keith Humphreys, "Mind Games: The Senate's Mental Health Parity Bill Is Ill-Conceived," *The Weekly Standard*, 13 Oct. 2003.

3 Michael J. Sniffen, "Charter to Settle Suit By Paying \$7 Million," *The Commercial Appeal*, Memphis, Tennessee, 19 Aug. 2000.

4 Bad Health, Thrust and Parry," *La Regione (Italy)*, 9 Dec. 1998; "Inquiry Expanding Like Oil," *Giornale Del Popolo*, 15 Dec. 1998; "Health Insurances Become Civil Part," *La Regione (Italy)*, 11 Dec. 1998.

5 "Doctors Bill Medicare 'For Sex,'" *Daily Telegraph-Mirror*, 8 July 1993.

PHOTO CREDITS: 13: Richard Cummins/Corbis.

6 "MENTAL HEALTH," Significant Developments in DCIS Health Care Fraud Investigations, Internet address: <http://www.dodig.osd.mil/INV/DCIS>.

7 "Ex-Psychiatrist Admits Selling Prescriptions in Medicaid Fraud," *DailyFreeman.com*, 1 Apr. 2004; Medicaid Scam Lands Local Doctor in Prison," *DailyFreeman.com*, 13 May 2004.

8 "What is Fraud?, Types of Health Insurance Fraud,"

BlueCross & Blue Shield United of Wisconsin, Internet site.

9 Joe Sharkey, *Bellum: Greed, Profiteering, and Fraud in a Mental Health System Gone Crazy* (St. Martin's Press, New York, 1994), pp. 215, 216.

10 "Introducing Thomas Dorman, M.D.," Internet site.

sexually assaulting a patient to withholding necessary and adequate food, physical care or medical attention. Financial abuse includes the misuse of a resident's trust funds to pay for nursing home services already being paid for by the Medicaid [insurance]

"...[A]s anyone who watches television and reads the papers is aware, psychiatric hospitals ... general hospitals, and addiction treatment centers are still eagerly trolling for customers who have insurance."

— Joe Sharkey,  
author of *Bedlam*

program or for uses of a patient's funds not authorized by either the resident or resident's guardian, trustee, administrator, etc." Other things to watch for include misrepresenting the length of a "therapy session" (billing for a one-hour rate when the patient only received 20 minutes); billing for individual consultation or therapy when the patient was part of "group therapy"; billing for patients that can not possibly benefit from "therapy" (such as being comatose); and billing for outside contractors (therapists) not covered by the facilities' insurance. Drug prescription records should also be monitored. Any psychiatrist or psychologist facing professional board investigation for sexual abuse of a client should always be suspected of fraudulent billing practices.

It will always be left to agencies external to the mental health system to police it. Psychiatrists and psychologists will not change direction, any more than they did after a decade of exposure of massive fraud in private-for-profit hospitals in the 1990s. Author of *Bedlam* (about psychiatric fraud) Joe Sharkey states, "... as anyone who watches television and reads the papers is aware, psychiatric hospitals, psychiatric wings of general hospitals, and addiction treatment centers are still eagerly trolling for customers who have insurance."

Ultimately, psychiatrists, psychologists, psychotherapists and their hospitals must be made fully accountable for their funding, practices and treatments, and their results, or lack thereof.

improve the supposed, ever-worsening state of mental health. No other industry can afford to fail consistently and expect to get more funding.

A significant portion of these appropriations and insurance reimbursements has been lost due to financial fraud within the mental health industry, an international problem estimated to cost more than a hundred billion dollars every year.

■ The United States loses approximately \$100 billion (€81.5 billion) to healthcare fraud each year. Up to \$40 billion (€32.6 billion) of this is due to fraudulent practices in the mental health industry.

■ One of the largest health care fraud suits in U.S. history was in *mental health*, yet it is the smallest sector within health care.

■ A study of U.S. Medicaid and Medicare insurance fraud, especially in New York, between 1977 and 1995, showed psychiatry to have the worst track record of all medical disciplines.<sup>1</sup>

■ Germany reports roughly \$1 billion (€815 million) is defrauded each year.

■ In Australia, health care fraud and patient over-servicing has cost taxpayers up to \$330 million (€226 million) a year.

■ In Ontario, Canada, in August 2002, psychotherapist Michael Bogart was sentenced to 18 months in jail for defrauding the government of almost \$1 million (€815,993), the largest medical fraud case in the history of the province.

Mark Schiller, president of the American Association of Physicians and Surgeons, stated in 2003, "I have frequently seen psychiatrists diagnose patients with a range of psychiatric diagnoses

"As experience has shown that there are many criminal mental health practitioners, CCHR has developed a database at [www.psychcrime.org](http://www.psychcrime.org) that lists mental health workers who have been convicted and jailed."

— Jan Eastgate

that aren't justified, to obtain [insurance] reimbursements."<sup>2</sup>

The mental health monopoly has practically zero accountability and zero liability for its failures. This has allowed psychiatrists and psychologists to commit far more than just financial fraud. The roster of crimes committed by these "professionals" ranges from fraud, drug offenses, rape and sexual abuse to child molestation, assault, manslaughter and murder.

There is no place for criminal intent or deed in the field of mental health.

CCHR works with others to ensure this standard is upheld.

— Jan Eastgate

As experience has shown that there are many criminal mental health practitioners, the Citizens Commission on Human Rights has developed a database at [www.psychcrime.org](http://www.psychcrime.org) that lists people in the mental health industry who have been convicted and jailed.

Created in response to the high number of convicted mental health practitioners who continue to seek employment in the mental health industry, one of its primary purposes is to inform people about the background of those individuals.

There is no place for criminal intent or deed in the field of mental health. CCHR works with others to ensure this standard is upheld.

The website and this publication are presented as a public information service to law enforcement agencies, health care fraud investigators, international police agencies, medical and psychological licensing boards and the general public with the purpose of bringing to an end criminal psychiatric abuse in the mental health system.

Jan Eastgate, President  
Citizens Commission  
on Human Rights International

## CHAPTER THREE WHAT SHOULD BE DONE?



It will always be left to agencies external to the mental health system to police it. Psychiatrists and psychologists will not change direction, any more than they did after a decade of exposure of massive fraud in private for-profit hospitals in the 1990s.

**A** U.S. Medicare *Fraud and Abuse Training Manual* advises examining mental health services for fraud and abuse. The reasons given include: patients trust their therapist/counselor; mentally ill persons are easy targets for exploitation; and residents living in residential psychiatric facilities are at risk for exploitation by health care providers.

According to the Arkansas Attorney General, "Physical abuse or neglect is any action or failure to act that causes unreasonable suffering, misery, injury or harm to a resident...anything from striking or

Dr. Robert F. Stuckey, a former medical director at one of National Medical Enterprises' psychiatric hospitals, admitted that psychiatrists and hospital staff "were absolute geniuses at diagnosing insurance." When a prospective patient contacted the hospital, his or her insurance was thoroughly researched. Once the patient was admitted, insurance was regularly reviewed to ascertain "how the hospital could

"[O]ne of the most powerful effects of DSM is due to its connection to insurance coverage: DSM is the psychotherapist's password for insurance reimbursement ... it is the key to millions of dollars in insurance coverage for psychotherapy, hospitalization and medications."

— Professors Herb Kutchins and Stuart A. Kirk, authors of *Making Us Crazy*, 1997

Sleep Terror Disorder (includes waking up in a sweat from a nightmare), and Nightmare Disorder.

New York practitioner Ron Leifer warns that psychiatrists will find a mental illness in everything and that there's no science to it. Labeling the DSM diagnostic method "arrogant fraud" he says, "To make some kind of pretension that this is a scientific statement is ... damaging to the culture."

Dr. Thomas Dorman, member of the Royal College of Physicians of the United Kingdom and Canada, sums it up this way: "In short, the whole business of creating psychiatric categories of 'disease,' formalizing them with consensus, and subsequently ascribing diagnostic codes to them, which in turn leads to their use for insurance billing, is nothing but an extended racket furnishing Psychiatry a pseudo-scientific aura. The perpetrators are, of course, feeding at the public trough."<sup>10</sup>

legally acquire every dollar possible that was still available that day, on that policy," Stuckey said. "The primary function of the hospital, a function so important that it rendered all other functions incidental, was to extract every single penny possible from the patients."<sup>9</sup>

For adults, disorders that are fraudulently billed for include: Caffeine Intoxication/Withdrawal, Sleepwalking Disorder, Nicotine Withdrawal,

# CHAPTER ONE MENTAL HEALTH: BIG BUSINESS



Psychiatry's predatory and profit-driven practices are international in scope and fraudulent to the core. Jeremy Harrel (above) was wrongly institutionalized, drugged and his parent's insurance billed to the tune of \$11,000—all because of false comments made by his 12-year-old brother that were acted upon by a psychiatrist.

On April 12, 1991, in Dallas, Texas, two uniformed security guards in a patrol car pulled up beside 14-year-old Jeremy Harrel and took him, against his will and his mother's protests, to a private psychiatric hospital owned by Psychiatric Institutes of America (PIA), a subsidiary of National Medical Enterprises (NME). A psychiatrist, Dr. Mark Bowlan, and a child welfare agent—who had

"[W]e have uncovered some of the most elaborate, creative, deceptive, immoral, and illegal schemes being used to fill empty hospital beds. ... It is outrageous. And it is fraudulent."

— Mike Moncrief,  
Texas State Senator, 1992



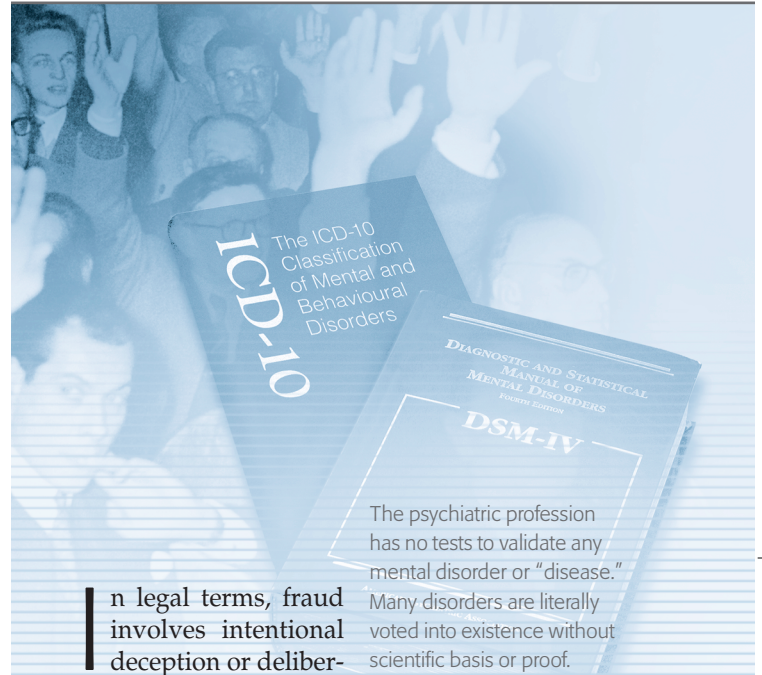
never spoken with Jeremy or his parents—had filed an application to the court for the boy's detention, claiming he was a "substance abuser" and that his grandparents had physically abused him. Dr. Bowlan also claimed that Jeremy was "truant from school, failing grades, and violent [and] aggressive." If not treated, he added, the boy would "continue to suffer severe and abnormal mental, emotional or physical distress," and deteriorate.

It took Texas State Senator Frank Tejeda's intervention to obtain Jeremy's release after he had discovered the boy's admission was based on the unsubstantiated and untrue comments made by Jeremy's 12-year-old brother, Jason.

During the six days Jeremy was held in the facility, he was drugged—without his parents' authorization. He was turned from a vivacious boy to someone with a glassy stare and dragging gait. The family's health insurance was billed \$11,000 (€8,975) for this fraudulent "admission" and "treatment."

The case sparked statewide and national investigations on an unprecedented scale into mental health care fraud and abuse. On April 28, 1992, Congresswoman Pat Schroeder, chairwoman of the House of Representatives Select Committee on Children, Youth and Families, delivered a scathing rebuke of the "unethical and disturbing practices" discovered. She reported that "thousands of adolescents, children and adults have been hospitalized for psychiatric treatment they didn't need...that patients are kept against their will until their health insurance benefits run out...[and] that bonuses are paid to hospital employees, including psychiatrists, for keeping the

## CHAPTER TWO INVENTING 'DISEASES,' SPAWNING FRAUD



The psychiatric profession has no tests to validate any mental disorder or "disease." Many disorders are literally voted into existence without scientific basis or proof.

**I**n legal terms, fraud involves intentional deception or deliber-

ate misrepresentation to secure money, rights, property or privilege. In general terms, fraud is understood to mean dishonest dealings, cheating or trickery.

One of psychiatry's most successful means of defrauding those who pay for psychiatric treatments is through the use of its *Diagnostic Statistical Manual of Mental Disorders (DSM-IV)* and the companion mental disorders section of the *International Classifications of Diseases (ICD-10)*.

As Professors Herb Kutchins and Stuart A. Kirk, authors of *Making Us Crazy*, state, "DSM provides the key to the dollars not only from private health insurance carriers but also from massive government programs such as Medicaid, Social Security Disability Income, benefit programs for veterans and Medicare."

The unscientific and spurious nature of *DSM* invites fraud.

violent crime; 6% for manslaughter and murder and another 6% for drug offenses.

It is ironic also that while psychiatrists and psychologists claim to be experts of the mind and human behavior, they have the highest rate of drug abuse and suicide within the medical profession.

Drug abuse and drug fraud are also common occurrences.



"There are few things more pathetic than a crooked doctor, particularly one who uses his office like a drug dealership."

— New York Attorney General,  
Dennis Vacco

insurance recipients from the streets and drug treatment centers. On the way to Roemer's office, the recruits were given money and told what drugs to ask for. Roemer then sold them the prescription, which they took to pharmacies and filled using their Medicaid benefits. The pills were handed over to the recruiters who sold them on the black market. Roemer was sentenced to 10 1/2 years in prison and ordered to pay more than \$340,000 (€277,438) in restitution.<sup>7</sup>

As the insurance company Blue Cross & Blue Shield United of Wisconsin puts it, there are as many types of health insurance fraud as "the *criminal mind can invent*."<sup>8</sup> [Emphasis added]

According to one veteran California health care fraud investigator, and as seen in the following examples, one of the simplest ways to detect fraud is to review the drug prescription records of psychiatrists.

In May 2004, New York psychiatrist David Roemer pled guilty to a charge of felony conspiracy in a prescription drug scam that defrauded the government's insurance and flooded the streets with millions of dollars in highly addictive narcotics and other drugs. Roemer worked with four accomplices who recruited Medi-aid

hospital beds filled." It was "big business," she said.

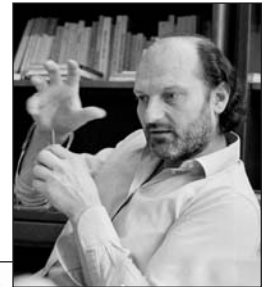
Psychiatry's predatory and profit-driven practices would ultimately subject NME to 14 separate federal and state investigations. On August 26, 1993, the FBI and other federal agencies raided NME, resulting in the company paying out \$740 million (€603,835) in fines and civil claims.

The scandal caused a domino effect in the United States with numerous other private-for-profit psychiatric hospitals paying tens of millions in refunds, penalties and settlements. In 2000, the U.S. Justice Department investigated the private psychiatric hospital chain Charter Behavioral Systems, Inc. for fraud and abuse. That year, the company agreed to pay the government \$7 million (€5.7 million) to settle allegations regarding overcharging Medicare insurance and other federal programs.<sup>3</sup>

In Switzerland, police raided three private psychiatric hospitals in the canton of Ticino, arresting and charging Dr. Renzo Realini, a renowned psychiatrist and owner of the facilities, with fraud and falsifying documents in 1998. Records showed that Realini had been billing for 30-hour days.<sup>4</sup>

Australia has also reported widespread mental health fraud, including psychotherapists and psychiatrists billing the government's Medicare insurance for having sex with patients.<sup>5</sup>

In 1998, the Swedish Medical Board found that psychiatry was responsible for nearly half of patient mistreatment reports and referred the matter to prosecution for further action. Swiss psychiatrist Renzo Realini (right) was charged with fraud and falsifying documents, after billing for 30-hour days.





There are as many types of health insurance fraud as "the criminal mind can invent," including a wide range of fraud committed by psychiatrists and psychologists as these examples illustrate.

In Russia today, psychiatrists commit unscrupulous fraud by manipulating vulnerable and wealthy patients into signing over control of their homes and property.

In 2004, the U.S. Defense Criminal Investigative Service (DCIS) issued a report stating: "The DCIS has found an increase in fraud in the delivery of mental health services," which included: "billing for 'phantom' psychotherapy sessions; billing for excessively long hospital stays for inpatient psychiatric care; providing kickbacks to physicians; and grossly inflating the number of psychotherapy hours provided to obtain thousands of dollars in overpayments from government and private insurance programs."<sup>6</sup>

Other reported fraud schemes have included:

- Billing insurance companies for patient therapy when the client was in jail.
- Charging for mental health therapy for a nursing home patient who was in a coma.
- Providing daily "group therapy" sessions that consisted of giving away free cups of coffee and bread, socializing and listening to music.
- Creating fictitious psychiatric evaluations to exhaust the patient's insurance.
- Billing insurers for therapy that was given to people who were dead.
- "False claims"—billing for services never rendered or delivered.

- Billing the insurance company for patient cooking classes and listening to music.

- Billing for children aged between 3 and 5 for treatment of marijuana use.

- Charging for baptisms in the psychiatric hospital swimming pool that were called "recreational therapy."

- Billing insurance companies for having sex with patients.

- Spending government welfare funds on social events for employees.

In 1990, a U.S. Congressional committee issued a report estimating that Community Mental Health Centers (CMHCs) had diverted between \$40 million and \$100 million (€32.6 million to €81.5 million) to *improper* uses. Various CMHCs had built tennis courts and swimming pools with their federal construction grants and, in one instance, used a federal staff grant to hire a lifeguard and swimming instructor.

The misuse of funds continued despite the congressional report. In 1998, Medicare barred 80 CMHCs in nine states from serving the elderly and disabled after investigators found patients had been charged \$600 to \$700 (€489 to €571) a day for watching television and playing bingo, rather than receiving any care.

In 2003, financial audits discovered that Kedren CMHC in California had misspent \$1.4 million (€1.1 million) in funds, including paying for its president's Land Rover vehicle and Cadillac, and for some employees' theater tickets, and trips to Las Vegas, New Orleans, Georgia, Washington D.C. and London.

Crime in the mental health industry is far from limited to money matters. A review of more than 800 convictions of psychiatrists, psychologists and psychotherapists between 1998 and 2004 reveals that 43% of the convictions were for fraud, theft and embezzlement; 32% for sex crimes; 7% for patient assault and

"What we've discovered is that the extent of the fraud is limited only by the imagination. We've discovered a huge variety of fraudulent schemes."

— Mark Schlein, Director of Florida's Medicaid Insurance