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**SOCIETY**

# **An epic case of medical fraud – and the agent who cracked it**

This is the story of how a Miami psychiatrist managed to beat the system year after year, but finally met his match in a health-care fraud investigator named Alberico Crespo.

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Updated June 22, 2017, 3:12 p.m. ET

**MIAMI**

It started with a letter from US Senator Charles Grassley.

In December 2009, the Iowa Republican demanded to know how a Miami psychiatrist was writing more than 96,000 prescriptions for Medicaid patients. It was nearly twice the number of the second highest prescriber in Florida.

The psychiatrist, Dr. Fernando Mendez-Villamil, responded with a tartly worded message of his own. “I never thought I would be faulted for working hard or for being very organized and efficient,” he wrote the senator.

Health-care fraud costs the US government and insurance companies some \$100 billion a year in overcharges and other rip offs, according to experts. It is a perpetual drain on the nation's wealth, undercutting the ability to provide quality healthcare to those most in need.

The problem isn't just the growing ranks of crooks in white coats who abuse the US health-care system for self-enrichment. The problem is also that some Americans believe stealing from the government is no big deal.

It has contributed to a lawless atmosphere in which fraud could thrive, and nowhere is the problem more acute than in South Florida.

Even after Dr. Mendez-Villamil was kicked out of Medicaid and barred from Medicare, he continued to operate an elaborate network of bribes, kickbacks, and payoffs that helped hundreds of fake patients fraudulently obtain Social Security disability payments.

Among hard-boiled fraud investigators in Miami, the strange and circuitous case of Dr. Mendez-Villamil stands out as a monument to criminal innovation, brazen defiance, and greed.

This is the story of how a Miami psychiatrist managed to beat the system year after year, but finally met his match in a health-care fraud investigator named Alberico Crespo.

No one knows the story better than the agent who conducted the investigation and stuck with it through seven years of setbacks and surprises. The story, as told by Agent Crespo, offers an inside look at the problem of health-care fraud from the perspective of an agent on the front lines of that battle.

“He was investigated by a number of agencies who were never able to prove anything,” Crespo said in an interview with the Monitor. “I just happened to be relentless enough.”

# A case with ‘trouble’ written all over it

For Crespo, the investigation began in mid-2010, a few weeks after he joined the Department of Health and Human Services as a special agent in the Inspector General’s Office. That’s when he was assigned the Mendez-Villamil case.

With the earlier letter from Senator Grassley and keen interest from HHS headquarters, the case of the defiant Miami psychiatrist had “trouble” written all over it. It was the kind of thankless, pain-in-the-neck case that almost always seems to find its way to the new guy’s desk.

But Crespo had an advantage over many other investigators in the Inspector General’s Miami Lakes office. He holds a master’s degree in psychology, so he knew the language and understood the medical concepts.

He also had years of prior law enforcement experience in South Florida as a police officer and as an agent with the Drug Enforcement Administration. According to his colleagues, Crespo has another advantage as well – the personality of a detective. Chief among those traits are patience and perseverance, they say.

At first Crespo focused on the unusually large volume of prescriptions the doctor was writing.

“I go to the doctor’s office and I am seeing just an extraordinary amount of patients,” Crespo says. “I thought they were handing out free items because they were lined up out the door.”

Mendez-Villamil was seeing nearly 60 patients every day, six days a week. He allotted 10 to 15 minutes per patient and was writing 2 to 3 prescriptions for each patient. It amounted to 1,400 to 1,500 patients each month.

At that rate, if he billed the standard \$45 for each patient visit, he would receive between \$63,000 and \$67,000 each month under the Medicaid program. On an annual basis that could be as much as \$800,000 a year in revenue just from patient visit fees.

Mendez-Villamil was a sole practitioner and employed no other medically trained staff. He retained three workers to help with appointments, handle paperwork, and clean the office. So the overhead expenses for his office were relatively low.

But Crespo couldn't understand how the psychiatrist was able to see so many people day after day and still do things like eat lunch, use the bathroom, and handle emergency patients.

Through a check of pharmaceutical records, Crespo discovered that the doctor was prescribing large amounts of quetiapine, a drug approved to treat psychiatric patients diagnosed with bipolar disorder. It is sold commercially under the name Seroquel.

According to federal agents, there is a well-established black market in quetiapine, with street names including “jailhouse heroin,” and “Susie Q.”

The prescriptions Mendez-Villamil wrote were paid through Medicaid, so it didn't cost the patients anything. They could then either use the drugs as prescribed, abuse the drugs, or sell them to others on the street.

“It was a free-for-all,” Crespo says.

## Show me your drugs

The agent began visiting Mendez-Villamil's patients to verify whether the drugs were being used for health care or personal revenue. “We would go to the patients and tell them, you picked up your medication yesterday. You should have a full

load, right? Can we see it?”

Crespo says he’s heard every possible excuse. Among them: “I was on my way home on my bike and it fell down the storm drain. I went to court and the security guard at the scanner stole it and wouldn’t give it back.” A 28-year-old man told him: “My mother controls it and I don’t know where she puts it.”

The agent was trying to find a confidential source who could help him gather evidence against the doctor. But no solid, trustworthy source emerged.

“Cases against doctors are difficult cases to make,” says Eric Morales, a former federal prosecutor who worked on the Mendez-Villamil case with Crespo.

At one point, Crespo decided to go undercover.

“I was going to go in there cold. [The doctor] doesn’t know me. Just dirty-up and go,” he says of his plan to pose as a patient in need of psychiatric help.

Crespo called to make an appointment. “They asked who referred you,” he says. The agent responded that he was in the neighborhood and saw the sign for the doctor’s office. That wasn’t good enough.

“They wouldn’t even give me an appointment,” he says. “It was like a drug dealer, if so and so didn’t send you, you were not getting in.”

## Is this treatment medically necessary?

In many health-care fraud cases the key issue is whether the service being billed to the government is “medically necessary.” Under both the Medicare and Medicaid systems it is up to a licensed physician to determine medical necessity. This

requirement is meant as a safeguard against excessive billing. But the effectiveness of that safeguard depends on physicians being honest and not exploiting the government's payment system for self-enrichment.

Crespo said he realized early in the investigation that it would be difficult to establish beyond a reasonable doubt that Mendez-Villamil's high-volume prescription drug practice was not medically necessary.

The doctor's approach to treating his patients was to prescribe an array of drugs to stabilize their behavior and manage their symptoms. He did not participate in time-consuming psychotherapy. Rather his approach was to keep his patients medicated at a level that would allow them to function. There is nothing illegal or fraudulent about this approach, experts say.

"Psychiatry is very subjective," Crespo says. For every expert who says "X" about something, a different expert can be found to say "Y" about the same thing, he says. That meant that for Crespo to prove that Mendez-Villamil was involved in billing for services that were not medically necessary, the agent would have to dig significantly deeper into the doctor's activities.

## A search warrant and a disturbing discovery

In October 2011, Crespo executed a search warrant at the doctor's office, seizing about 300 boxes of patient files and other medical records. Back at his office in Miami Lakes, the agent and other analysts randomly selected 30 of the boxes and began to compare the doctor's patient files.

The examination revealed something disturbing. "The clinical notes were all the same," Crespo says. "They could be a photocopy of each other." It suggested the psychiatrist was offering little, if any, individual attention to his patients.

There was more. Mendez-Villamil's patients never seemed to improve. "The way mental health works, you have peaks and valleys, but [his patients] tend to always get worse," Crespo says.

Rather than a medical practice set up to help patients, the office seemed to be organized as an assembly line to facilitate billing. What Crespo soon discovered is that Mendez-Villamil wasn't just collecting patient consultation fees and prescribing large amounts of drugs. There was more going on.

## The investigation turns to Social Security

Crespo found that many of Mendez-Villamil's patients were receiving Social Security disability payments. The doctor had provided the medical assessments necessary to verify that his patients' mental conditions rendered them completely disabled. Acting on those medical assessments, the Social Security Administration had awarded a large number of his patients full disability benefits.

Crespo reached out to an agent with the Social Security Administration. Together they had several of Mendez-Villamil's patients re-evaluated to test whether they were truly disabled.

"Now the stars are starting to align," he says of the investigation.

Crespo and the other agent watched as patients currently collecting government disability payments were brought into the office and interviewed one by one. Many who were clearly not mentally disabled nonetheless tried to act the way they thought someone with a mental disability might act.

"People would come in crying. One guy came in drooling and playing with a moth ball. I mean like ridiculous behavior," Crespo says.

At 6 a.m., the morning after one of these interviews, Crespo staked out that patient's home. During the interview the man had told Social Security officials he was barely able to function. But what Crespo saw at the patient's house was far different.

## Confronting fraud face-to-face

"Today, he is all shaved and clean and he has a \$50,000 truck," Crespo says. "He's got a boat and a license to harvest lobsters. And by the way, his wife, she jumps in the vehicle – she's pregnant." (The day before he'd told the examiners that he had no relationship with his wife.)

Crespo followed the husband and wife to a social services office where the wife applied for Medicaid to help pay expenses for the arriving baby.

The agent then confronted the "disabled" man.

"How are you," Crespo says he asked the man.

"What?"

"Nothing. I'm just making sure you are okay," Crespo said to the man. "You okay?"

"Yeah, I'm fine," the man said, apparently failing to recognize the agent.

Crespo adds of the encounter: "The same guy yesterday couldn't talk and couldn't function."

That's when the agent began to see the outline of a massive scam.

The investigators found two other patients Mendez-Villamil had "disabled." Both had been deemed psychologically unable to work, yet both were working full time as strippers at an adult night club.



“It all became a joke,” Crespo says, a very expensive joke on the US government and American tax payers.

Crespo estimates that Mendez-Villamil helped 3,500 to 3,800 individuals fraudulently obtain Social Security disability payments. “At one point he was disabling up to 10 people a week,” the agent says.

For \$1,500 to \$3,500 in cash, Mendez-Villamil would falsely diagnose anyone as having a severe mental disorder that would qualify him or her to receive Social Security disability payments.

## How the disability scam worked

Once the payment was received, the doctor’s staff prepared a patient file that was typically back-dated a year or more to show the condition was chronic and to create a fake paper trail purporting to document a prolonged period of medical treatment, according to court documents.

“It was just straight back-dating, you come in today and I started treating you last year,” the agent says.

The scam would include decoy notes that would support the doctor’s diagnosis of a prolonged psychological impairment so severe that the individual was unable to function effectively in any work environment.

The file would reflect regular visits and prescription drug maintenance. But it was all a ruse designed to convince officials at the Social Security office to award disability payments.

That wasn’t the only disability scam the doctor was running. For \$200 in cash, Mendez-Villamil helped immigrants cheat on the US citizenship test, according to federal court documents.

The psychiatrist would falsely certify that an individual had a mental impairment that prevented that person from taking the English language test and/or the civics test which are part of the application to become a naturalized US citizen. The false disability certification helped them obtain a waiver from those requirements.

His “patients” also used the fake disability diagnosis to obtain waivers from paying fees charged to become a US citizen.

## The office staff were also ‘disabled’

Further investigation revealed that all three members of Mendez-Villamil’s own office staff had been diagnosed with severe psychological impairments. One staff member used the diagnosis to avoid having to take the civics test to become a US citizen. The two other employees were collecting Social Security disability payments.

One of the workers even had her then 13-year-old daughter falsely diagnosed with a severe disabling psychiatric condition. The mother then had herself designated as the representative payee for the teen’s government disability checks.

“The girl was a typical socially active young Miami teenager. She tried out for the Miami Heat dancers,” says Morales, the former prosecutor.

“She was supposed to be so psychotic that she doesn’t leave her room,” he says.

“This is egregious.”

Mendez-Villamil paid his office workers off the books and in cash in part to prevent the government from discovering that each could, in fact, function and work despite their continuing receipt of Social Security disability payments, Crespo says.

One of the men working in the psychiatrist’s office was simultaneously receiving \$733 a month in fraudulent disability payments.

During his re-evaluation, the worker falsely told officials he had not worked since receiving disability, that he couldn't drive, and that his depression was so severe many days he could not leave his apartment, according to a signed statement filed as part of the worker's guilty plea in the Mendez-Villamil case.

“He goes to Cuba every other month for two to three weeks at a time,” Crespo says of the “disabled” worker. “He doesn't drive, he doesn't get out of bed. He comes into Social Security and starts to cry. ‘All I can do is get up and get a carton of milk and cry my way back to bed,’ ” the agent says quoting the man.

When asked how he arrived for his interview at the Social Security office since he was unable to drive, the worker told officials he had been dropped off. But moments after the interview, Crespo took several photos as the man got into his car and drove himself away.

## Red flags

Crespo wasn't the only government official concerned about Mendez-Villamil. “I had administrative law judges calling me and telling me this guy is a crook,” the agent says.

After the media attention surrounding Senator Grassley's letter, Mendez-Villamil was dropped from the Medicaid program in June 2010. He was barred from billing under the Medicare program in September 2013. And the following month, the Florida Department of Health issued a \$15,000 fine and reprimand against the doctor for maintaining sloppy and inconsistent medical files.

Crespo says he was forced to put his investigation on hold while the state pursued its own charges against the psychiatrist. Through it all, Mendez-Villamil kept his medical license and avoided any jail time.

Many doctors facing such intense scrutiny might be tempted to clean up their practice and stop violating the law, at least while federal and state investigators were actively examining their operations. Not Mendez-Villamil.

“It made no difference to him. He was so brazen he reached the point where he was so far in the pit with snakes that he couldn’t get out,” Crespo says.

“He had a whole network of patient recruiters – people who were bringing him people – and he was just way too entangled,” the agent says.

Instead of ending the fraud, the psychiatrist ramped up the Social Security disability scam as well as the citizenship test fraud, according to court records.

## Another potential witness

After several setbacks in his investigation, Crespo found a potential witness who was receiving disability payments but was nonetheless working at a private school as a teacher’s aide, Morales says.

“The woman had been ‘disabled’ by Mendez-Villamil. She was supposed to have a severe psychiatric condition,” the former prosecutor says. When the agents confronted her, she exclaimed: “Oh, I’m cured.”

Morales laughs. “It’s just stuff like that,” he says. “You could see an agent just throwing up his hands and say this is all just a bunch of [baloney], we’re never going to make this case. Everyone is a liar.”

But Crespo kept working through the disappointments and frustrations. “He was patient and persistent,” Morales says. “He kept at it.”

# The ‘mentally disabled’ hazmat driver

Crespo tracked down one of Mendez-Villamil’s patients who was trying to get a disability waiver to avoid taking the US citizenship test.

Two weeks earlier the same person obtained his commercial license to drive a hazmat truck. In the application process the driver had to affirm that he had no physical or mental issues that would undercut his ability to safely operate a truck carrying hazardous materials on public highways.

Crespo confronted the driver. “Which of the two is it,” the agent wanted to know. Are you fit to drive a hazmat truck or unfit to take a civics test for US citizenship?

The driver fessed up: “Okay, okay,” he told Crespo. “I paid [the doctor] \$1,000 and I don’t speak English.”

The investigator said he could have arrested 134 others with cases like the truck driver, but prosecuting them at that point would have taken the focus away from the main target: the psychiatrist.

“It was just so many facets of fraud,” Crespo says, shaking his head.

Eventually, the investigation expanded and Crespo organized a team of agents from several different government agencies – Social Security, Immigration and Customs Enforcement, Health and Human Services, and the Federal Bureau of Investigation.

## An informant gains access

An FBI agent managed to locate an individual who knew one of the workers in the psychiatrist’s office and was able to actually get an appointment to see the doctor.

The agents sent the confidential informant into the doctor's office with a hidden video camera. No undercover investigation ever goes completely as planned. The informant was forced to wait to see the doctor. During the wait, the camera's battery ran out.

"Who knew that it was going to take three hours to see him," Crespo says. Fortunately, a backup audio device kept recording.

Later, the agents nervously reviewed the audio tape until Crespo recognized the doctor's voice. "It was him," Crespo says. "I can identify his voice. I've talked to him."

The confidential informant was able to gain access to the doctor's office because 12 years earlier his friend had suggested he could help him obtain disability payments with a doctor's diagnosis even though he had no mental disability.

In mid-2015, the confidential informant reconnected with his friend and said he was now interested in receiving disability payments. The informant was told it would cost \$1,500 and that his medical file would be backdated to January 2014.

He was also told he would likely also be deemed eligible for Medicaid.

During his visit to the psychiatrist's office, the confidential informant was handed an envelope and told to put \$1,500 inside. The informant was instructed that if he started receiving disability payments through Social Security that he could not be paid on the books for any employment. They told him any pay for work would have to be received under the table and in cash.

In the meeting with the doctor, the informant mentioned that he was also applying for US citizenship. He was told a diagnosis that would exempt him from the US government's citizenship test would cost \$300 -- \$150 up front and \$150 later.

# No health care happening here

Nothing during his meeting with the psychiatrist resembled an authentic psychiatric examination, Crespo says. An office worker instructed the confidential source how to behave in any interview with Social Security officials so his actions would appear consistent with the diagnosis they were about to write in his file, the agent says.

During the meeting, the psychiatrist wrote a prescription for medication that the confidential source could purchase cheaply, but the doctor warned him not to actually take the medication, according to court documents. The psychiatrist also told the confidential source that he did not have to see him every month, but that the doctor would update the patient file as if he had come into the office every month for a face-to-face consultation, court files show.

After a request for supporting documents from the Social Security Administration, Mendez-Villamil's office faxed 35 pages of false, back-dated medical records for the informant to the Social Security office. Some of the files included the patient's signature, which the informant discovered had been forged.

The fake medical records included a false diagnosis that said the informant was having "auditory hallucinations," was "disheveled," and was suffering from "bipolar" disorder, "depression with psychosis" and that his prognosis was "poor." None of it was true.

The sending of those false documents by the doctor's office to the Social Security Administration, combined with the audio tape of the doctor and his staff explaining how the fraud would be conducted, were the last two pieces of evidence necessary to make the case against Mendez-Villamil.

# A guilty plea and \$50.7 million

Confronted with the fruit of Crespo's detailed investigation, Mendez-Villamil pleaded guilty to health-care fraud in May 2016. He agreed to pay the government \$50.7 million in restitution. He is serving a 12-1/2 year sentence in federal prison and has surrendered his medical license.

According to a statement signed by Mendez-Villamil as part of his guilty plea, the psychiatrist's false diagnoses caused Social Security to make \$20.3 million in undeserved disability payments to various "patients" between 2002 and January 2016.

In addition, the Medicaid program was billed \$25.9 million in false claims, of which \$16.7 million was paid for office visits that never occurred and for medications that were never needed or taken, according to the signed statement.

Mendez-Villamil also admitted that he submitted \$15.8 million in false claims under the Medicare program, of which nearly \$12.9 million was paid for office visits that never occurred and for medications that were never taken or needed.

The psychiatrist also said that from 2001 to 2016 he provided false diagnoses to help immigrants bypass portions of the US citizenship test. His disability certifications helped scores of individuals obtain waivers of immigration fees. Court papers show the waived fees cost the US government more than \$814,000.

With Mendez-Villamil behind bars, the question remains: What about all those patients fraudulently receiving Social Security disability payments?

"A lot of them are now off the rolls and are starting to pay the government back," Crespo says.



The fraud wasn't just about receiving disability payments. Someone who qualifies for disability under Social Security also qualifies for Medicaid and may also qualify for Medicare. Among beneficiaries it is called "Medi-Medi" and it is considered the gold standard for government-funded health-care insurance.

"That's like an unlimited American Express card in Miami. The sky is the limit," Crespo says.

"Every [doctor's office] will see you and you get put to the front of the line for Section 8 subsidized housing, you get subsidies on your electricity, your cable, and food stamps," he says.

"It is crazy the way the ripple effect extends across many, many social programs," he adds.

With so much fraud in South Florida, Crespo is asked whether he ever feels he's waging a hopeless battle against health-care crooks.

"It has become socially acceptable," he says of fraud against insurance companies, Medicaid, and Medicare. During jury selection, prospective jurors in South Florida are frequently asked if they have heard of health-care fraud. The jurors laugh, Crespo says.

"There is a perception that there are no repercussions for Medicare beneficiaries who defraud the system. I've had people tell me you can't do anything to me – straight to my face," Crespo says.

"The beneficiaries have to realize this is a privilege not a right," the agent says. "At some point there has to be responsibility from the recipient's side. They need to be held accountable," he says.

"As long as recipients of social programs feel entitled instead of privileged, I don't know how we can stem the tide."



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