

# ADVOCATES FOR RESPONSIBLE TREATMENT

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April 9th, 2018

Ms. Paula Villescaz, Consultant  
Assembly Health Committee  
State Capitol, Suite #6005  
Sacramento, CA 95814

**SB 2200 (Patterson)**  
**SUPPORT**  
**Assembly Health Committee**  
**Hearing Date: April 17, 2018**

Dear Ms. Villescaz,

Advocates for Responsible Treatment, is an all-volunteer, citizens' advocacy group representing Southern California which wishes to ensure recovery businesses operate in a safe, humane and legal manner. We look for win-wins for both recovering addicts AND neighbors. We are writing today **in SUPPORT of AB 2200 (Patterson)**. For reasons described below, **we recommend that AB 2200 be thoroughly rewritten.**

It is imperative that the addiction treatment recovery industry be addressed with prior backgrounds addressing recent illegal drug use and prior crimes of drug distribution, insurance fraud, and violence. Why? Substantial evidence far too lengthy to be included here indicates that a significant portion of this industry is engaged in crimes that harm not only the addicts which the industry supposedly seeks to help but also ultimately taxpayers who pay higher bills when insurance is defrauded. While it might be nice to minimize the impact of such crime or imagine that such crime just suddenly erupted from entrepreneurial enthusiasm, the reality is that former criminals flock to employment in this industry due to its lack of background checks.

Here, we give lengthy evidence of news articles available online that have been written about crimes that have taken place in this industry across the country and in California:

## **Industry Members Agree**

The Scams & Corruption of the Addiction Industry Explained (3/3/18)

Legislating Addiction (1/25/18)

Ethics 101 (9/11/17)

Treatment Center CEO Offers Potential Solutions To Drug Rehab-Fraud (8/17/17)

Some Addiction Practices are Making Me Sick (3/13/17)

The Underbelly of Addiction Treatment: A look at the Unethical and Illegal Practices of "Saving Lives" (3/6/17)

Ethics Survey: Behavioral health leaders examine industry conduct (3/1/17)

Enough is Enough: Reform the Rehab and Sober Living Industry in 2017 (2/17/17)

Can Our Addiction Treatment Industry Withstand a "Fearless and Searching Moral Inventory" of Our Business Practices?

Are Arizona Addicts for Sale? (8/9/16)

The Rehab Industry Needs to Clean Up Its Act. Here's How (2/16/16)



## **Fraud Against Insurance Companies**

Scammers, Fraudsters Capitalize on Opioid Addiction Treatment (3/2/18)  
Liquid Gold Rush: The \$95,244 Urine Tests (2/26/18)  
In Pursuit of Liquid Gold (1/3/18)  
Cali Rehab Centers Are in Need of Stricter Regulations (12/21/17)  
How a multimillion-dollar empire built around urine drug tests exposes flaws in California's rehab laws (12/17/17)  
Arizona lawsuit opens window into lucrative drug rehab business — and allegations of fraud (12/4/17)  
25 Investigates: \$1 million bill for one man's out-of-state drug rehab (11/16/17)  
Federal, state agencies raid Whitehall recovery center, owner's home (10/18/17)  
Massachusetts AG launches probe of addiction treatment fraud (9/29/17)  
Hundreds ensnared in Justice Department health-care fraud crackdown on \$1.3 billion false billings (7/13/17)  
Two accused in \$58M sober home fraud, FBI says (7/12/17)  
Desperate for addiction treatment, patients are pawns in lucrative insurance fraud scheme (7/7/17)  
With FBI knocking, Sovereign Health rehab defends practices some say puts profits ahead of health (7/7/17)  
Florida's Billion-Dollar Drug Treatment Industry is Plagued by Overdoses, Fraud (6/25/17)  
Owner Sentenced to More than 27 Years in Prison for Multi-Million Dollar Health Care Fraud and Money Laundering Scheme... (5/17/17)  
O.C. District Attorney charges family, doctors with insurance fraud related to sober homes, urine tests (5/24/17)  
2 Newport Beach doctors among six people charged in \$22-million fraud scheme tied to sober-living homes (5/23/17)  
Preying on the Vulnerable: Sober Home Fraud (4/27/17)  
Beach Town Tries to Reverse Runaway Growth of "Sober Homes" (4/10/17)  
United Healthcare Accuses Dallas labs of \$100 million fraud involving kickbacks for bogus drug tests(1/31/17)  
Chris Bathum, aka the Rehab Mogul, Arrested on Multiple Charges (11/14/16)  
Investigation has resulted in 100 group homes in Prescott closing their doors (8/12/16)  
United Healthcare names labs, treatment centers in federal fraud case (5/2/16)  
County's \$1 billion gold rush: Addiction treatment draws FBI (7/30/15)

## **Bilking Clients**

Drug addicted New Yorkers scammed out of thousands of dollars as treatment fraud spreads (2/11/18)  
Listen to the "Daily": Profiting from Addiction (1/18/18)  
25 Investigates: \$1 million bill for one man's out-of-state drug rehab (11/16/17)  
Searching for Help: How Disreputable Rehabs Game Google to Profit Off Patients (9/1/17)  
Diffenderfer Sentenced in Fraud Involving Sober Living homes and Welfare Fraud (9/14/16)

Affluenza Anonymous: Rehab for the Young, Rich and Addicted (11/21/16)  
12 Steps to Broke: The Billion-Dollar Rehab Racket That Drains Family Savings (5/2/15)

### **Alcohol and Illegal Substances Used in Some Residences**

Rehab Owners Who Lost License Amid Shocking Allegations Deny Charges Back to Business (12/6/17)  
Clean, Sober, Homeless: The foreclosure of the Agape House highlights tenants' vulnerability (11/27/17)  
Overdose victim's family sues sober house (11/13/17)  
No water or power? No problem for addicts using drugs in treatment (10/21/17)  
Owner of Drug Recovery Home Caught Selling Heroin and Fentanyl to Residents (10/9/17)  
Reports of Rehab Scams Raise Concerns About Treatment Quality (9/1/17)  
Woman fatally overdoses at sober home linked to ex-Chatman operative (8/12/17)  
Rehab Mogul Chris Bathum Arrested on Drug Charge (6/29/16)  
2 addiction counselors die of drug overdose at halfway house (5/25/17)  
Police: 5 overdoses in same Middletown home (4/20/17)  
Therapist: 90% of addicts in Chatman sober homes openly used drugs (2/22/17)  
Woman pleads guilty in sober home fraud scheme, allowing drug use (2/15/17)  
"Sober homes" draw scrutiny in wake of deaths (1/14/17)  
Cops: Drug-treatment resident had stash of crystal meth (12/6/16)  
The Convicted Felon Running a Deadly "Sober House" (10/27/16)  
Fatal overdose in sober home troubles family, service providers (4/17/16)  
Pennsylvania heroin recovery houses often "drug dealer's dream" (4/5/16)  
Large Amounts of Heroin and Meth Found at Everett Clean and Sober House (2/10/16)  
Heroin bust at "sober" home; police find trove of stolen items, drugs (12/16/14)  
Torrington area sober houses lack oversight, homeowners make rules for recovering drug addicts (2/1/14)  
Overdosing rampant in sober homes (11/9/13)

### **Patient Brokering**

Patent Brokering: Making profit off opioid addiction (2/12/18)  
Google temporarily bans addiction center ads globally following exposure of seedy referral deals (1/12/18)  
A Doctor with a Phone and A Mission (1/3/18)  
Review Sites Have Deep Ties to the Rehabs They Promote (11/3/17)  
25 Investigates revisited: Deadly consequences or some who seek addiction rehab (10/27/17)  
Body Brokering: Profiting off of Addicts (10/9/17)  
"Body Brokers killed my daughter" (8/30/17)  
Some Rehab Centers Want Addicts to Relapse (8/25/17)  
How recovering drug addicts are getting bought and sold by corrupt treatment centers (8/22/17)  
"Body Brokers" Get Kickbacks To Lure People With Addictions to Bad Rehab (8/15/17)  
In South Florida's Addiction Treatment Industry, Recovering Drug Users Can Be Bought and Sold (8/15/17)  
Sober Homes Task Force arrests two on patient brokering charges (8/11/17)  
Desperate for addiction treatment, patients are pawns in lucrative insurance fraud

scheme (7/7/17)  
Haven for Recovering Addicts Now Profits From Their Relapses (6/20/17)  
Rehab patient brokering is rampant, but it's hard to stop, industry says (5/31/17)  
The addict brokers: Middlemen profit as desperate patients are "treated like paychecks" (5/28/17)  
Patient brokering exacerbates opioid crisis in Florida (4/2/17)  
The Underbelly of Addiction Treatment: A look at the Unethical and Illegal Practices of "Saving Lives" (3/6/17)  
Editorial: Put an end to Arizona's "patient brokers." (2/15/17)  
Woman pleads guilty in sober home fraud scheme, allowing drug use (2/15/17)  
Saving lives or selling souls? Dark side of addiction recovery (1/26/17)  
"Body Brokering" Casts Shadow Over Substance Abuse Treatment Industry (9/7/16)  
First woman arrested in sober home crackdown - human trafficking addiction (12/3/16)  
SPECIAL REPORT: Two states with an ocean view, and an ethical cloud (3/18/13 )

### **Criminals, Rapists, Pedophiles and Sex Traffickers Can Be Staff**

Rehab Riviera: Industry struggling to get clean (12/29/17)  
Man Arrested After Stabbing at Sober Living Home on Jan. 24 (1/25/18)  
Fifth pornstar in three months dies: Adult actress found dead in rehab (1/20/18)  
Quest for sobriety often ends in sexual assault at some rehabs in Southern California (1/19/18)  
Rehab Owners Who Lost License Amid Shocking Allegations Deny Charges, Get Back to Business (12/6/17)  
Chatman drops appeal in sex trafficking, drug treatment fraud case (10/25/17)  
Mastic residents protest against sex offender operating "sober house" (10/15/17)  
Man Charged With Murder in Death of Alcohol Rehab Resident (7/18/17)  
Police: Director of addiction program arrested, in possession of oxycodone pills (5/17/17)  
UPDATE: Former GA probation officer wanted on rape charges arrested in OK (5/15/17)  
Ex-official at Minn. treatment center who sexually assaulted patient had extensive criminal history (2/2/17)  
"Rehab mogul" accused of sexually assaulting patients and "elaborate" fraud (11/11/16)  
The Convicted Felon Running a Deadly "Sober House" (10/27/16)  
Sex assaults on kids gets sober-living resident 250 years in prison (6/3/16)  
Guilty Plea to Murder with Sexual Motivation at Everett Transitional Home (2/3/16)  
Women Tell Story of How Sober Living Minister First Saved Them, Then Sexually Abused Them (5/8/14)  
Felons, drug dealers run halfway houses for addicts (11/18/12)

### **Deaths in Sober Living Homes**

Three people killed after fire breaks out in sober living home (TN) (2/15/18)  
Death in rehab generates \$7 million award (2/9/18)  
Lawsuit: Parents Fault Yorktown Sober Home for Teen Son's Death (1/2/17)  
Detox can end in death at some "non-medical" Southern California rehabs (12/17/17)  
"Enough is enough:" At least 5 have died in NL sober homes in 3 years (11/18/17)  
Overdose victim's family sues sober house (11/13/17)  
What happened? Family seeks answers after Ohio woman, 22, dies during Arizona rehab stint (10/19/17)  
Woman fatally overdoses at sober home linked to ex-Chatman operative (8/12/17)

Man arrested on suspicion of shooting roommate to death at Tustin addiction-recovery home (7/24/17)  
Man Charged With Murder in Death of Alcohol Rehab Resident (7/18/17)  
Teen dies in arson at sober-living home day before he was to start college (6/28/17)  
Heroin's grip leads two South Bend area men to the same end. On the same day. (4/2/17)  
4 deaths in 3 years: Advocates wonder why drug center's still open (1/22/17)  
"Sober homes" draw scrutiny in wake of deaths (1/14/17)  
Costa Mesa detox center could permanently lose license after patient death (10/22/16)  
Autopsy on teen's death likely next week (12/10/16)  
Man found stabbed to death at sober living home in Fresno (7/26/16)  
Father Sues Treatment Center Over Son's Methadone Overdose (3/30/16)  
Heroin, Murder, and the New Front in the War on Drugs (9/27/15)  
Family awarded \$10 million for wrongful death at detox center (2/27/15)  
2 Deaths at an A-List Hollywood Rehab (8/8/13)

In short, there are examples too numerous to relate. In addition, we reference the content of the state's own reports by the California Senate Office of Oversight and Outcomes, "Rogue Rehabs: State failed to police drug and alcohol homes, with deadly results," from 9/4/12, and "Suspect Treatment: State's lack of scrutiny allows unscreened sex offenders and unethical counselors to treat addicts," dated 5/13/13.

Importantly, recovering addicts who are active in treatment are particularly vulnerable to relapse, which can be deadly. Predators know that recovering addicts are unaccustomed to consistently making decisions that are in their best personal interest and seek to take advantage of them.

### **Whom Should a Criminal Background Check Target?**

AB 2200 targets "a person who has responsibility for residents or frequent or routine contact with residents of an alcoholism or drug abuse recovery or treatment facility." This is both vague and confusing. Treatment facilities are both commercial and residential, and a person who is receiving treatment in one is best described as a client.

In California, owners and operators have been involved in providing illegal drugs or engaged in predatory sex with vulnerable clients, though having neither frequent contact with nor responsibility for "residents." Indeed, it is unclear whether drug money is being laundered through partial and privacy-protected ownership of these operations. We believe that a criminal background check must be applied to investors, owners, operators, license applicants, managers, employees, therapists, and consultants of addiction treatment businesses, whether the client resides in a house operated by the licensed operation or merely visits the licensed operation for treatment.

### **What Type of Criminal Background Check Should Be Required?**

AB 2200 doesn't really address this. This should be a state and federal check as is required for those who work in Community Care facilities.

In addition, it is imperative that any criminal background check also include a screen for current, illegal drug use. It is legal to screen employees for drug use, and current illegal drug use not only suggests that a potential employee is engaged in illegal activity, but that the potential employee could engage recovering addicts in a way that might lead to relapse.

### **Who Should Be Precluded Based on the Results of the Criminal Background Check?**

AB 2200 doesn't address this and leaves ambiguous how DHCS will determine who is precluded. This is far too much leeway for the agency. Indeed, the bill as currently stated indicates: "A drug-related conviction shall not be cause for the department to deny involvement in the provision of services." This is ludicrous because a drug distributor, placed in a position of power over recovering clients has the potential to resume old, criminal habits. Current illegal drug users should also be precluded as potentially jeopardizing the clients' recoveries. Given the prevalence of certain types of crimes in this industry, besides current illegal drug users, the following people should be precluded:

- (1) A person who has been convicted of an offense specified in Section 11351, 11352, or 11355.*
- (2) A person who has been convicted of an offense specified in Section 11350 in the previous two years or who is currently participating in a court-ordered substance abuse treatment program.*
- (3) A person who has voluntarily surrendered his or her medical license, or who has had his or her medical licensed revoked, pursuant to the Medical Practice Act (Chapter 5 (commencing with Section 2000) of Division 2 of the Business and Professions Code) or the Nursing Practice Act (Chapter 6 (commencing with Section 2700) of Division 2 of the Business and Professions Code).*
- (4) A person who has been convicted of an offense specified in Section 14014, 14107, or 14107.2 of the Welfare and Institutions Code, or paragraph (5), (6), or (7) of subdivision (a) of Section 550 of the Penal Code.*
- (5) A person who has been convicted of an offense specified as a Non-Exemptible Crime under the State of California Community Care Licensing Division:*

### **When and How Often Should a Background Check Be Run?**

AB 2200 only suggests a criminal background check be run at the start of employment. This is insufficient as a person could be convicted of a crime subsequently and remain employed. It is critical that the bill require self-reporting over the course of a year, annual criminal background checks, and bi-monthly illegal drug screens.

**What Consequences Should Occur if an Owner/Operator/etc. Fails?**

If a current employee fails the drug screen, they should be suspended until a second one confirms or denies current drug use. Two positive drug screens conducted less than two days apart would require dismissal, as would conviction for any of the above crimes.

**In Conclusion**

We urge the Assembly Health Committee to require Assemblyman Patterson to amend AB 2200 and **SUPPORT much needed Criminal Background Checks. We have sent letters similar to this to the entire Assembly Health Committee.**

Sincerely,



Laurie Girand  
Steering Committee Member