



Local Physician Gets 11 Years in Prison...Again

Dec. 8, 2011



HOUSTON - Dr. Ira Klein, the local physician who was sentenced in 2007 to federal prison for defrauding insurance companies of more than \$10 million, has once again appeared in federal court for a resentencing hearing, United States Attorney Kenneth Magidson announced today.

A federal jury convicted Klein, 65, of Houston, in November 2006 of 18 counts of mail fraud and 26 counts of health care fraud in connection with a scheme to defraud various insurance companies of more \$10 million. In August 2007, U.S. District Judge David Hittner sentenced Klein to 135 months in prison to be followed by a three-year-term of supervised release and ordered Klein to pay \$11,590,784 in restitution. Klein appealed his conviction and sentence to the Fifth Circuit, which upheld all of Klein's convictions but remanded the case for re-sentencing on the narrow issues of the amount of loss and Klein's restitution calculation.

In March 2010, Klein represented himself at his re-sentencing hearing. On his second appeal, the Fifth Circuit ruled that Klein had not knowingly and intelligently waived his right to counsel and remanded the case for a third sentencing.

At today's sentencing hearing, Judge Hittner again sentenced Klein to the same 135-month-term of imprisonment. Specifically, Judge Hittner found that Klein's actual loss remained in excess of \$11 million even after Klein was properly credited for the value of the medication he provided to his patients. Judge Hittner reserved his ruling on the amount of restitution owed by Klein for 90 days to give the victim insurance companies time to calculate their net losses. Judge Hittner also entered a \$10 million criminal forfeiture against Klein.

At his original sentencing in 2007, the court also found Klein had obstructed justice when he conspired with jailhouse inmates to murder the Assistant United States Attorney prosecuting the case as well as one of the FBI special agents investigating the case and his wife. The court found that while in federal custody Klein met three inmates to discuss his plan. Later, Klein met with an individual and discussed the payment of \$250,000 to kill his wife and the payment of an undetermined amount at a later date to kill the agent. Klein wired \$250,000 from a bank account to the individual. What Klein did not know at the time was that the individual he discussed and sent payment to was a federal undercover agent. Klein ultimately pleaded guilty to charges stemming from the murder-for-hire plot and was sentenced to an additional term of imprisonment for that conduct.

Originally indicted in February 2006, Klein specialized in treating patients diagnosed with Hepatitis C and billed insurance companies for services he did not provide to patients and misrepresented services that were actually provided. The fraudulent scheme involved ordering large quantities of medications used to treat Hepatitis C and providing medications to patients to self administer at home and then billing the insurance companies as if the injections had been administered by him or his staff in his office. Evidence at trial proved Klein ordered Hepatitis C treatment kits containing both interferon and ribavirin at a cost of \$695 each, but would unbundle the kit and submit claims to the insurance company for more than \$3,840 for the components of the kits. The majority of the claims filed for services provided were for dates when patients were not in his office.

Klein also billed insurance companies for injecting his patients with the prescription drugs epoetin and neupogen during office visit, but again the evidence proved no office visit had occurred, and his patients were, in fact, self-administering those medications at home. Klein purchased epoetin at a cost of approximately \$1,246 for 10 units of medication but in turn billed insurance companies \$39,500 for the same 10 units. The Nuepogen was purchased at a cost of \$1,885 for 10 units of medication, yet Klein billed insurance companies \$32,700 for the same 10 units.

Former patients testified at the three-week trial that when their insurance company refused to pay Klein

the exorbitant fees, he cut off their treatment or told them to contact their respective insurance companies and demanded that he be paid. Patient files introduced during the trial showed Klein did not have doctors notes for the majority of the claims submitted for reimbursement. Moreover, where notes existed they uniformly documented the same blood pressure and pulse recorded for every patient - 120/80 and 80 beats per minute - a virtual impossibility according to several physicians who testified at the trial. Representative from the Texas State Board of Medical Examiners and the Texas Board of Pharmacy also testified Klein violated board rules and state law by acting as a pharmacy and ordering large quantities of prescription drugs that were available by prescription from a pharmacy. As a result of his fraudulent scheme, Klein billed insurance companies more than \$17 million and was paid \$11 million.

Klein has been in custody since his bond was revoked in May 2006 where he will remain to serve out his sentence.

This investigation leading to the charges against Klein was conducted jointly by the FBI, the Texas Department of Insurance - Fraud Unit and the United States Office of Personnel Management, Office of Inspector General.

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