

## Doctor pleads guilty in \$1B Fraud Scheme

**A South Florida doctor pleaded guilty to helping cheat investors out of nearly \$1 billion by using fraudulently low life expectancies for policyholders after previously submitting fraudulent claims to Medicare for treating AIDS patients at the CenterOne Clinic in Fort Lauderdale.**

(FAIR Editor's note: The word "viatical" means of, or pertaining to, a form of insurance business that pays off on the insurance policies of the terminally ill.)

Clark Mitchell, a one-time Miami Beach doctor who is already in prison for bilking insurers, pleaded guilty Wednesday to one count of healthcare fraud for his role in cheating investors out of almost \$1 billion.

The scheme, developed by officers of Mutual Benefits of Fort Lauderdale, involved luring investors to purchase viatical and life settlement policies on AIDS patients. The patients received lump-sum settlements at the time of their transactions, with investors then collecting on the policies after the patients die.

If a patient lives for a long time with the investor continuing to make the premium payments, such deals can turn out to be financial disasters.

Mitchell and other doctors paid by Mutual Benefits assured investors by calculating fraudulently low life expectancies for AIDS patients on thousands of policies. Between 1995 and May 2001, Mitchell himself signed more than 5,000 fraudulent letters and affidavits, prosecutors charged.

The company raised \$1.3 billion from 30,000 investors around the world, according to prosecutors' charges. Total investor losses were \$956 million. The company was led by Peter Lombardi, who pleaded guilty in October to one count of securities fraud.

Mutual Benefits also promised investors to escrow enough money to pay the premiums, but that, too, was a fraud, prosecutors said. Instead, the company practiced a Ponzi scheme in which it needed new investors coming in to pay for the older investors' premiums.

Prosecutors also revealed on Wednesday that Mitchell pleaded guilty to one count of defrauding the United States by submitting fraudulent claims to Medicare for treating AIDS patients at the CenterOne Clinic in Fort Lauderdale. Mitchell was medical director of the clinic from December 1996 through May 2001.

Mitchell is scheduled to be sentenced on March 7. He faces up to 10 years in prison and a fine of \$5 million. As part of his plea agreement, the former physician promised to be responsible for about \$367 million in restitution payments to Mutual Benefits investors.

He is currently in prison on unrelated charges involving defrauding Medicaid, the state-federal healthcare program for the poor.