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Hollywood Weight Loss Doc Guilty In \$355M Insurance Scam

By **Max Jaeger**

Law360 (December 17, 2021, 5:16 PM EST) -- A Los Angeles jury convicted a former Hollywood doctor over a \$355 million fraudulent billing scheme related to the 1-800-GET-THIN Lap-Band surgery business, capping what an attorney involved in the case called the district's longest white collar trial in memory.

On Thursday, the jury found Julian Omid, 53, and his Beverly Hills, California-based company Surgery Center Management LLC guilty on 31 counts of wire or mail fraud and one count of money laundering conspiracy following 61 days of trial, including three days of jury deliberations. Omid was also convicted on two counts of making false statements relating to health care matters, one count of aggravated identity theft and two counts of money laundering.

A co-defendant, Dr. Mirali Zarrabi, 59, of Beverly Hills, was acquitted of all charges, the government said.

According to prosecutors, Omid used doctored sleep studies to convince insurance companies to approve payments to 1-800-GET-THIN for voluntary weight-loss surgeries. Zarrabi interpreted the sleep studies and signed off on the reports, which 1-800-GET-THIN manager Charles Klasky then allegedly doctored — unbeknownst to Zarrabi — to indicate weight-induced sleep apnea, prosecutors said.

As a result, 1-800-GET-THIN allegedly obtained an estimated \$41 million for Lap-Band procedures. The company also received \$27 million in payments for the sleep studies, which cost insurers \$15,000 a pop, according to prosecutors.

The scheme defrauded the Tricare health care program for military service members, as well as private insurers including Anthem Blue Cross, UnitedHealthcare, Aetna, Health Net, Operating Engineers Health and Welfare Trust Fund, the government alleged. Omid allegedly submitted fraudulent billings totaling roughly \$355 million.

Klasky pled guilty to his role and began cooperating in 2017. His sentencing was paused pending Omid's criminal trial, according to court records.

The jury agreed that Zarrabi had no role or knowledge of the falsification, however.

"Fortunately for our client, the jury listened to our arguments, looked at the evidence, and they fully acquitted him on all counts," Zarrabi's attorney Thomas P. O'Brien of Browne George Ross LLP told Law360 on Friday.

O'Brien, the former U.S. attorney for the district, said it was "a pleasure doing battle with experienced, high-

end attorneys" from his old office, including prosecutor Kristin Williams, whom he hired before returning to the private sector in 2009.

"It was certainly a bare knuckle brawl that went the distance," he said, explaining the white collar trial was likely the longest in district history and one of the lengthiest trials nationwide in the COVID-19 era.

Attorneys for Omididid not immediately respond to a request for comment on Friday. An attorney for Surgery Center Management said they are planning an appeal.

"For close to three months, the jurors listened to testimony, they deliberated, and they reached a verdict," Michael Devereux of Wexford Law told Law360 on Friday. "Although we are dissatisfied with the outcome, Surgery Center Management and Wexford Law respect the opinion of our fellow citizens who served on that jury. Surgery Center Management strongly believes that they have many legal reasons for a reversal in the appellate court, and they look forward to the opportunity in front of the Ninth Circuit."

The government's 2014 seizure of \$110 million allegedly connected to the scheme "deprived SCM of a defense by freezing its assets," he said.

Omididid, who lost his state medical license in 2009 and was arrested in 2018, unsuccessfully raised a similar argument in a motion to dismiss in June.

He is due for sentencing before U.S. District Judge Dolly M. Gee on April 6. Omididid faces a mandatory two-year sentence for the identity theft charge, as well as possible prison time for the dozens of other charges. A criminal case against an Omididid-controlled corporate defendant has been severed and stayed, the government said.

The government plans to pursue civil forfeiture for the full \$110 million, according to the U.S. Department of Justice.

Omididid has been tangled for years in sprawling litigation related to insurance payments for the surgeries. He's a counter-defendant in a suit originally filed against UnitedHealth Group Inc. for allegedly failing to pay for the procedures, even after the surgeries were approved. That case was stayed pending the outcome of the criminal trial, court records show.

The government is represented by Kristen A. Williams, Ali Moghaddas, David H. Chao, David C. Lachman and James E. Dochterman of the U.S. Attorney's Office for the Central District of California.

Omididid is represented by Michael S. Schachter, Randall W. Jackson, Casey E. Donnelly and John L. Brennan of Willkie Farr & Gallagher LLP.

Surgery Center Management is represented by Michael Sean Devereux of Wexford Law.

Zarrabi is represented by Thomas P. O'Brien, Ivy A. Wang, Jennie W. VonCannon, Luke A. Fiedler and Matthew Kussman of Browne George Ross O'Brien Annaguey & Ellis LLP.

The case is U.S. v. Julian Omididid et al., case number 2:17-cr-00661, in the U.S. District Court for the Central District of California.

--Additional reporting by Craig Clough. Editing by Jay Jackson Jr.
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