



# PRESS NOTICE

J. STROM THURMOND, JR.  
UNITED STATES ATTORNEY  
DISTRICT OF SOUTH CAROLINA

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*1441 Main Street, Suite 500 \* Columbia, SC 29201 \* (803) 929-3000\**

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**FOR IMMEDIATE RELEASE**

**CONTACT PERSON: Scott N. Schools  
(803) 929-3000**

**GUILTY PLEA**

COLUMBIA, South Carolina ---- United States Attorney J. STROM THURMOND, JR., stated today that, FRANK BUTTS, age 53, of Little Rock, Arkansas, South Carolina, and ROBERT B. O'DANIEL, age 59, of Fairhope, Alabama, pled guilty Wednesday, September 10, 2003, in federal court in Greenville, South Carolina. BUTTS pled guilty to 2 counts of conspiracy to defraud Medicare, a violation of Title 18, United States Code, Section 371. O'DANIEL pled guilty to 1 count of conspiracy to defraud Medicare, and 1 count of failing to disclose information to federal authorities regarding health care fraud ("misprision of a felony"). United States District Judge Henry M. Herlong, Jr. of Greenville accepted the pleas and will impose sentence after he has reviewed the presentence reports which will be prepared by the U.S. Probation Office.

Evidence presented at the change of plea hearing established that Butts and O'Daniel were involved with companies associated with the Choice and Grace Community Mental Health Centers (CMHCs), located in South Carolina and at various locations in the Southeast. At the end of each fiscal year, the CMHCs were required to submit a cost report to Medicare. The cost report is supposed to accurately reflect the CMHC's annual expenses, and it is supposed to reflect which costs are "allowable" or reimbursable costs, and which costs are "non-allowable" or not reimbursable. When a "related party" provides services to a CMHC, those costs are reimbursable by Medicare only in the amount of the cost to the supplier of the services--in other words, no party can profit from the transaction. Therefore, a cost report should reflect when services were provided by a related party. The evidence established that information regarding various companies was withheld from Medicare, for the purpose of making non-reimbursable profits on "related party" transactions. The cost reports claimed reimbursement for sums paid to various companies but failed to disclose that the companies were related to the CMHCs. Butts was involved with preparing cost reports for the community mental health centers. O'Daniel was involved with establishing related management companies and a staffing company that ostensibly provided services to the CMHCs for profit. The staffing company charged fees to the related CMHCs reflecting a 320% markup which costs were improperly passed on to Medicare through the cost reports. The management companies also improperly charged management fees to the CMHCs,

and those fees were likewise passed on to Medicare. Through his attorneys, Butts acknowledged that he never had amnesia, in spite of Butts' past assertions to the Court that he was afflicted with amnesia and could not recall the events alleged in the indictments.

Mr. Thurmond stated the maximum penalty Butts and O'Daniel can receive on the conspiracy count is a fine of \$250,000 and/or imprisonment for 5 years, plus a special assessment of \$100. The maximum penalty O'Daniel can receive for the misprision count is a fine of \$250,000 and/or imprisonment for 3 years, plus a special assessment of \$100.

The case was investigated by agents of the Federal Bureau of Investigation and Department of Health and Human Services Office of Inspector General. Assistant United States Attorneys Stanley D. Ragsdale and Jennifer J. Aldrich of the Columbia office handled the case.

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