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FOR IMMEDIATE RELEASE

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The United States Attorney's Office for the Northern District of California announced that St. Luke's Subacute Hospital and Nursing Center, Inc., and its President and CEO, Guy Roland Seaton, were sentenced today following their conviction by a federal jury on December 19, 2004 of six counts of Medicare fraud. The convictions followed a four-week jury trial before U.S. District Court Chief Judge Marilyn Hall Patel. Today Judge Patel sentenced Seaton to 78 months imprisonment, 3 years supervised release and a \$600 special assessment. St. Luke's was sentenced to 5 years probation. Both Seaton and St. Luke's were ordered to pay restitution as determined by the Center for Medicare and Medicaid Services.

Mr. Seaton, 59, of Hayward, and St. Luke's Hospital were indicted by a federal grand jury on May 8, 2001. The defendants were charged with defrauding Medicare by submitting false reimbursements for nursing costs that were inflated by a total of nearly \$3 million. The defendants were further charged with submitting false statements to federal auditors, and with obstruction of a federal audit.

The evidence at trial showed that Mr. Seaton directed his employees to manipulate the company's books to inflate the amount of reimbursable nursing time spent on Medicare patients. In 1997, 1998 and 1999, Mr. Seaton then submitted to Medicare reimbursement claims for nursing costs that overstated St. Luke's Hospital's entitlement by nearly \$3 million.

Given the high nursing costs claimed by St. Luke's Hospital, according to the trial evidence, Medicare decided to conduct an audit. In connection with the audit, Medicare auditors visited the San Leandro facility in August of 1999. The evidence at trial showed that prior to the auditors' visit, Mr. Seaton directed an employee to create false nursing schedules in an attempt to document the inflated nursing costs claimed by St. Luke's. According to the trial evidence, the fraud was uncovered when law enforcement compared the false nursing schedules to true nursing schedules that had been seized in a 1996 search warrant.

"Medicare fraud is a serious problem, because it deprives the intended recipients—the blind, the disabled and the elderly—of funds that are desperately needed for their care," said Kevin V. Ryan, United States Attorney for the Northern District of California. "This conviction sends a message to all providers that fraud will not be tolerated, and where uncovered, will meet with serious consequences. This Office will continue its efforts to prosecute vigorously all fraud

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that deprives the public of taxpayer money intended for the health care of those who need it.”

The jury, after deliberating for 1 ½ days, found both Mr. Seaton and St. Luke’s Hospital guilty of all six counts charged in the indictment: one count of conspiracy to commit Medicare fraud, in violation of 18 U.S.C. § 371; three counts of submitting false claims to Medicare, in violation of 18 U.S.C. § 287; one count of submitting false statements to Medicare auditors, in violation of 18 U.S.C. § 1001; and one count of obstructing a federal audit, in violation of 18 U.S.C. § 1516.

The conviction is the result of a nine-year investigation by the Department of Health and Human Services/Office of Inspector General, and the FBI. Assistant United States Attorneys Maureen C. Bessette and Michael L. Wang tried the case, with the assistance of Thomas Moulder, Ponly Tu, Linda Woo, and Sutton Peirce.

A copy of this press release may be found on the U.S. Attorney’s Office’s website at www.usdoj.gov/usao/can. Related court documents and information may be found on the District Court website at www.cand.uscourts.gov or on <http://pacer.cand.uscourts.gov>.

All press inquiries to the U.S. Attorney’s Office should be directed to Assistant U.S. Attorney Matthew J. Jacobs at (415) 436-7181.